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Chairman Hua Kuo-feng at his Peking news conference. At right is Foreign Minister Huang Hua.

OPEC Ends 2-Year Freeze, Raises Oil Price by 14.5%

ABU DHABI, United Arab Emirates, Dec. 17 (AP) — The Organization of Petroleum Exporting Countries decided today to raise the cost of a standard barrel of oil by 14.5 percent by October, 1979, ending a freeze on basic petroleum prices that OPEC had maintained for two years.

The rise will take place in four stages over next year, with the aver-

age increase for the year-long period working out to 10 percent. An OPEC communiqué warned that, if inflation and currency instability continue, cutting into oil states' revenues for their output, the cartel "will find it imperative to adjust fully for the effects of such inflation and dollar depreciation" in the future.

There was no official indication

of when such additional price adjustments might be made. The price decision, announced by OPEC Secretary-General Ali Jaidah after a two-day oil ministers' meeting here, was presented by OPEC as a sign of moderation and goodwill toward other nations.

But Sheikh Ahmed Zaki Yamani, the oil minister of Saudi Arabia and a leading campaigner for moderate prices, said, "I am not so happy with it." But he said developments in world oil markets and recent reductions in Iranian oil output "make it very difficult to argue for a small dose." He called for a pricing freeze in 1980.

Under the new OPEC decision, the price of a 42-gallon barrel of Saudi Arabian light crude oil — the OPEC pricing standard — will rise from its price-freeze level of \$12.70 to \$13.33 on Jan. 1, \$13.84 on April 1, \$14.16 on July 1 and \$14.54 on Oct. 1.

Arab economists at the meeting

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On Role in Peace Talks

Israelis Angrily Protest U.S. Official's Statement

TEL AVIV, Dec. 17 (AP) — The Israeli Foreign Ministry has expressed "serious protest and anger" over a statement attributed to a senior U.S. official.

It did not name the official but said yesterday that he had claimed Israel "misled the world" about its position in the stalled Israeli-Egyptian peace talks.

Secretary of State Cyrus Vance was in Jerusalem Thursday to try to persuade the Israelis to accept Egyptian proposals. The Israeli Cabinet rejected them Friday and Mr. Vance returned to Washington empty-handed.

A Foreign Ministry communiqué quoted the U.S. official as saying Israel "misled the world with its contention that it was prepared to sign a peace treaty." It did not say where or to whom the statement was made.

The communiqué said the statement was unjustified because Israel had "decided to forgo its reservations about a draft peace treaty and expressed its willingness to sign without additions or amendment. Since then and until today, Israel repeatedly announced its readiness to do this."

Israeli Prime Minister Menachem Begin said Friday that the United States had taken a one-sided position favoring Egypt in the deadlocked talks. He said Egyptian President Anwar Sadat had made new demands — brought to Israel by Mr. Vance — that contradicted the agreements reached at the Camp David summit. Mr. Vance called Mr. Begin's statement disappointing.

At Camp David, Mr. Begin and Mr. Sadat agreed to sign a peace

treaty by today. Mr. Vance's shuttle between Cairo and Israel was a last-ditch effort to bring the two sides together so that the date could be met.

Israel said it could not accept Egypt's demand to make the exchange of ambassadors conditional on setting up a Palestinian governing council or provide for an automatic review of security arrangements in the Sinai Peninsula after five years.

Despite the setbacks, officials in Israel and Egypt said they believe a peace treaty can still be signed. "It's not a catastrophe," said Chaim Herzog, Israel's former ambassador to the United Nations. "It's a negotiation."

In Cairo, Egypt's acting foreign minister, Butros Ghali, told parliament that Egypt is prepared to resume "constructive negotiations" with Israel.

Meanwhile, Israeli Cabinet ministers said yesterday that the U.S. decision to establish diplomatic relations with China may adversely affect Middle East negotiations. The television quoted ministers as saying that Israel must reassess the U.S. ability to fulfill its treaty obligations.

21 Wounded in Bombing

JERUSALEM, Dec. 17 (UPI) — A bomb apparently planted by Arab terrorists on the original deadline for signing a peace treaty with Egypt exploded here today wounding 21 persons. In Beirut, Palestinian commandos said they had wounded a large number of Israelis in Jerusalem today with time bombs.

Parliament Will Decide Unity Issue

Belgian Vote Frames New Constitution

BRUSSELS, Dec. 17 (UPI) — More than 6 million Belgians voted today for a new parliament which will have to decide to what degree Belgium will remain united as a nation.

Voters went to the polls in cold but clear weather today. Voting is compulsory in Belgium. Only the sick and disabled are exempted.

Former Prime Minister Leo Tindemans has called it the most important election since Belgium was founded in 1830.

The 6.4 million voters chose 212 members of the Chamber of Representatives, 106 senators and new councils for the country's nine provinces. Under Belgium's polling system, the provincial councils will elect 50 other senators and the 156 then will appoint 25 more for a total of 181.

The new parliament will have to revise the constitution and work out a federal status that would include two or three semi-autonomous regions.

The future of the monarchy is not in doubt and Belgium's foreign policy is expected to remain

unchanged. All the major parties are committed to Belgium's allegiance to the Common Market and NATO.

But all parties support autonomy for the Dutch and French-speaking areas — Flanders in the north and Wallonia in the south. The main question is how far this devolution

will go and what status will be given to Brussels, the officially bilingual but French-dominated capital, which is surrounded by Flemish territory.

The Flemish demand iron-clad guarantees for the cultural rights of the Flemish minority in Brussels. French-speaking Belgians living in Flemish villages around the capital demand similar guarantees.

General elections for the second time in 20 months — instead of after four years — were called when Mr. Tindemans resigned two months ago after his coalition split over a devolution bill. Mr. Tindemans' party, the Flemish wing of the Social Christians, refused to approve some proposed reforms which it said were contrary to the constitution. No compromise was reached.

Defense Minister Paul Vanden Boeynants formed a transition government that prepared the elections and a revision of the constitution. During the campaign, most parties took positions that went well beyond the proposals in the original devolution bill.

Political interest centered today on a scheduled visit to the exiled leader of the Shiite Moslem opposition to the shah, Ayatollah Ruhollah Khomeini, by one of his chief lieutenants tomorrow near Paris.

It was Ayatollah Khomeini who called tomorrow's general strike. He is to be visited tomorrow by Ayatollah Hossein-ali Montazeri, who was released from jail under an amnesty.

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Two Challenge Zambia Election

LUSAKA, Zambia, Dec. 17 (AP) — Two opposition Zambian political leaders have challenged the results of last week's national elections in which Kenneth Kaunda was elected president for the fourth time in 14 years.

A former vice president, Simon Kapwepwe, and a former opposition leader in Parliament, Harry Nkumbula, have appealed to the supreme court to protest a pre-election ruling of the high court that allowed Mr. Kaunda to be the sole presidential candidate. Both men sought in vain to contest the presidential election.

China Signals No Seizure Of Taiwan

By Linda Mathews

HONG KONG, Dec. 17 — Chinese Communist Party Chairman Hua Kuo-feng signaled yesterday that his government has no intention of invading Taiwan after the last U.S. troops are withdrawn from the Nationalist-held island next spring.

According to informed Communist sources here, an official document now circulating throughout China's vast Communist Party apparatus declares that it may take several generations before the two rival Chinese regimes can be reunited and, in the meantime, Taiwan will be permitted to retain its own economic and political systems.

The document, first distributed a week ago by the Central Committee, the policy-making body of the party, is being read over loudspeakers at thousands of factories, offices and communes, and has been hailed as the most sensible solution to the Taiwan problem, the sources said. The U.S. Consulate here has begun to detect references to the document in radio broadcasts from China's provinces, indicating that word of China's peaceful intentions toward Taiwan is reaching grass-roots Chinese.

Mr. Hua has also intimated to the rest of the world that China has no military designs on Taiwan. In a televised press conference yesterday, apparently the first ever held by a Chinese official of his rank, Mr. Hua called on "our Taiwan compatriots" to join mainland Chinese "in making further contribu-

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To Mourn Demonstrators' Deaths

General Strike Scheduled Today by Iran Opposition

TEHRAN, Dec. 17 (Reuters) — Iran, already crippled by work stoppages in its civil service and oil industry, faces the prospect of a nationwide general strike tomorrow called by opponents of Shah Mohammed Reza Pahlavi.

Opposition sources expected the one-day strike — to mark a day of mourning for nearly 100 people killed in recent political demonstrations — to receive widespread support.

Most shops in Tehran's bazaar were closed today and civil servants in strike-affected ministries continued to report for their jobs but do no work as part of the protest movement against the shah and his military government.

At the Central Bank of Iran, however, senior officials reported some improvement. "The staff is working normally, except for two hours in the morning, when they break for a political meeting," one official said.

The government has warned civil servants, including workers in the

state-run oil industry, that they face dismissal and loss of all privileges — such as subsidized housing and food — if they do not return to work.

Meanwhile, oil-industry sources said there had been an improvement in attendance by workers, pushing daily oil output to 2.2 million barrels — the most in more than a week, but still far from the normal 6 million barrels.

The governor of the oil province of Khuzestan, Gen. Boghrat Jafarian, said workers at the world's biggest oil refinery at Abadan had started going back to work and he predicted that others would return gradually. However, a clear picture of attendance in the oil industry and the civil service was not expected until Tuesday.

In response to the actions of troops and pro-shah demonstrators in several towns last week, doctors and nurses met at Tehran's Pahlavi Hospital today and decided not to treat troops or their relatives under the medical-insurance plan. "From now on they will have to pay cash," one doctor said.

Visit to Khomeini

Political interest centered today on a scheduled visit to the exiled leader of the Shiite Moslem opposition to the shah, Ayatollah Ruhollah Khomeini, by one of his chief lieutenants tomorrow near Paris.

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Administration Officials Say Move May Alter World Order

By Richard Burt

WASHINGTON, Dec. 17 (NYT) — White House officials said yesterday that the establishment of full diplomatic relations with China constituted a landmark decision that should lead to a fundamental realignment of global politics.

Senior White House and State Department aides said in interviews that President Carter's surprise decision to normalize relations with Peking on Jan. 1 would help move global politics away from a system dominated by two military giants, the United States and the Soviet Union, toward an international order composed of several major powers, including China.

The officials said Mr. Carter's dramatic announcement Friday night was the product of a highly secret series of discussions that began last summer. It was only last week, however, that the major breakthrough in the talks occurred, they

said, when the White House learned that, although Peking still insisted that U.S. arms exports to Taiwan should be halted, it no longer made this a prerequisite to formal relations with the United States.

Obviously pleased with the new development, officials said that Mr. Carter's decision had met with widespread approval in foreign capitals and that the president had been congratulated by his two predecessors, Richard Nixon and Gerald Ford, and by Henry Kissinger, the former secretary of state.

Congressional Complaints

However, on Capitol Hill the administration's decision was seen by some critics as essentially abandoning Taiwan, and others complained about the lack of prior consultation with Congress.

There were suggestions, such as by those Sen.

Washington To End Pact With Taipei

By Terence Smith

WASHINGTON, Dec. 17 (WP) — President Carter has announced "an historic agreement" under which the United States and the People's Republic of China will establish diplomatic relations on Jan. 1. He also announced that Teng Hsiao-ping, the powerful deputy premier of China, will visit the United States on Jan. 29.

The visit will be the first by a high-level Communist Chinese official since the end of the Chinese Civil War in 1949. It will end what administration officials described Friday night as "a 30-year anomaly in international affairs."

In a dramatic and unexpected speech on national television Friday night, Mr. Carter also announced that the United States will terminate its diplomatic relations and mutual defense treaty with Taiwan.

The United States will also withdraw its remaining military personnel from Taiwan within four months.

'Simple Reality'

"We do not undertake this important step for transient, tactical reasons," Mr. Carter said. "In recognizing that the government of the People's Republic of China is the single government of China, we are recognizing simple reality."

Speaking to reporters in the White House press room after his speech, an ebullient Mr. Carter said the new agreement would open "a new vista of trade relations with the almost one billion people of China."

He added his own feeling that "the security of Taiwan is adequately protected" under the agreement.

The president conceded that the normalization of relations with Communist China after nearly 30 years was a politically controversial act, and he said that it had received "mixed response" from congressional leaders with whom he met earlier in the evening.

The move drew angry fire from both moderate and conservative Republicans. Sen. Barry Goldwater of Arizona denounced it as "a cowardly act," and charged that it "stabs in the back the nation of Taiwan." Bill Brock, the Republican National Chairman, accused the president of "callous disregard for a fine friend and a loyal ally."

No Explicit Pledge

Briefing reporters after the speech, senior administration officials conceded that they had not obtained an explicit pledge from mainland China not to use force to conquer Taiwan.

But the officials maintained that such a position was implicit in the Chinese acceptance of the unilateral U.S. statement issued to coincide with the speech. The statement expresses the continued U.S. interest in the peaceful resolution of the Taiwan issue.

They also felt that the recent public statements by Chinese leaders, indicating that the Taiwanese

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A demonstrator outside the U.S. Embassy in Taipei is restrained by a policeman after the announcement that the United States would sever diplomatic relations with Taiwan and exchange ambassadors with the People's Republic of China. "This is the second time the United States has betrayed us," the man, a retired serviceman, shouted. "The first was on the Chinese continent."

Trade Pacts Remain Crucial to Survival

Taiwan's Reaction to Act Is Restrained

By Henry Scott-Stokes

TAIPEI, Dec. 17 (NYT) — After a brief spasm of anger and outrage, the government of Taiwan responded with studied moderation yesterday to President Carter's announcement that the United States would sever diplomatic relations with China and normalize relations with Peking.

President Chiang Ching-kuo said in a television address last night: "I want to thank all those friends in America who have supported us. From now on the Republic of China will continue to strengthen the friendship and mutual interests of the two peoples."

Mr. Chiang, 68, spoke in solemn tones, but he showed none of the indignation that colored the government's first communiqué, drafted after a hastily convened meeting with the United States ambassador, Leonard Unger, at 2 a.m. yesterday.

'Blow to Free World'

In the communiqué the government said: "The decision by the United States to establish diplomatic relations with the Chinese Communist regime has not only seriously damaged the rights and interests of the Republic of China, but also has had tremendous adverse impact upon the entire free world."

The streets of Taipei were jammed with shoppers yesterday, but there were no major demonstrations. A thinly reinforced police guard stood at a barrier outside the two-story United States Embassy in downtown Taipei.

An angry group of about 100 students and workers gathered before the embassy late yesterday afternoon. They stood before a cartoon of a huge set of teeth, representing President Carter, on which a collapsed American flag lay in a heap. "One big step by a peanut politician," read the caption.

Mr. Chiang said on television: "I warn my fellow countrymen that Communist China has exploited a weakness in the United States government and will from now on intensify its dirty tricks, seeking to divide, subvert and sabotage Taiwan."

Anti-Communist Policy Affirmed

"I repeat firmly that we will never negotiate with Communist China," he continued. "To do so would amount to self-destruction. On the contrary, only if we stay firm in our anti-Communist policy can we build up our country."

But the government's only major decisions yesterday were to postpone elections that were scheduled for next Saturday for all 104 seats in the legislature, and to halt election campaigns.

Mr. Chiang accepted the resignation of Foreign Minister Shen Chang-huan, but he declined to allow the resignation of Premier Sun Yun-suan and named him to assume Mr. Shen's duties in addition to his own.

"Recognition of Communist China by the United States was not a surprise," said L.F. Wang, chairman

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Criticism Centers on Fate of Taiwan

Republicans Assail Normalization Plan

By David S. Broder and Bill Peterson

WASHINGTON, Dec. 17 (WP) — A major political storm has blown up over President Carter's surprise decision to recognize mainland China and scrap the U.S. defense commitment to Taiwan.

The president's Friday night announcement was endorsed by former President Ford, but it was denounced as a blow to U.S. international credibility by most other prominent Republicans.

Two key Democrats on the Senate Foreign Relations Committee joined Republicans in questioning whether Mr. Carter had fulfilled a legal requirement for "prior consultation" with Congress before announcing the end of the U.S.-Taiwan defense treaty.

Sens. John Glenn Jr., D-Ohio, and Richard Stone, D-Fla., challenged Mr. Carter on the ground that he had scrapped the treaty without the consultation required by a unanimous Senate resolution

and a provision of the defense appropriations bill, both passed this year.

"Calling a few of us in one hour before he goes on television doesn't seem like much consultation," Sen. Glenn said.

The provision was added to the defense bill by Sen. Stone and Sen. Bob Dole, R-Kan., who said it was "obvious there has been no full consultation with Congress."

But while Sen. Dole was demanding that "our defense commitment to Taiwan remain intact," Mr. Ford, his 1976 GOP running mate, was weighing in on Mr. Carter's side of the burgeoning debate.

In a statement from his California home, Mr. Ford said: "Based on my understanding of the terms for normalization, I approve of the action to be taken by the Carter administration."

Mr. Ford's was one of very few voices of Republican support, however, and party chairman Bill Brock led a chorus of criticism that in-

cluded leaders of both the moderate and conservative GOP wings.

George Bush, a former head of the U.S. liaison office in Peking and a 1980 Republican presidential hopeful, said, "We gave all and got nothing. He said he favored improving relations with Peking, but he feared that 'in acquiescing to China's... demands, with no apparent guarantee of a Taiwan solution, we are simply diminishing U.S. credibility around the world.'"

Most Democrats rallied to Mr. Carter's side. Sen. Edward Kennedy of Massachusetts said the establishment of "normal and enduring relations with 900 million people on the mainland" was fully compatible with "assuring the peace and prosperity of the people on Taiwan."

Senate Majority Leader Robert Byrd, D-W.Va., called normalization "a natural and positive advancement... that will contribute

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U.S. Ties Climax Intense Peking Debate, Policy Shifts

By Jay Mathews

HONG KONG, Dec. 17 (WP) — China's sudden agreement to full diplomatic relations with the United States climaxes a month of extraordinary debate in Peking and two years of dramatic shifts in Chinese foreign and domestic policy.

In a single stroke, the Chinese have cast aside their refusal to allow continued American arms sales and other guarantees of Taiwan's security in any normalization arrangement and have announced the first visit of a top Chinese Communist leader to Washington.

The decision opens the way for wide-ranging diplomatic, social and economic contacts between the world's richest nation and its most populous nation.

Coupled with China's recent landmark friendship treaty with Japan and an explosion of international trade and diplomatic contacts, the announcement of full relations with the United States and Vice Chairman Teng Hsiao-ping's scheduled January visit reveal a daring Peking decision to solidify ties with the West and build the Chinese economy regardless of socialist ideology and national pride.

The decision, apparently made at a series of top-level meetings in Peking in recent weeks, suggests that the Chinese are deeply concerned by reported Soviet efforts to bolster forces on the Chinese border, by Moscow's new ties with Vietnam, and by the growing Vietnamese assault on China's ally, Cambodia.

Violation of Principle

By accepting the continuation of U.S. arms shipments to Taiwan, Peking has essentially endorsed American intervention in what it considers a civil war — a violation of Chinese principle that many diplomats here thought no Peking government would ever sanction.

At a press conference held in Peking to announce the normalization decision, the Chinese Communist Party chairman, Hua Kuo-feng, repeated the usual Chinese contention that "we can absolutely not agree" to limited arms sales to Taiwan. But he indicated China's decision to tacitly allow the sales by saying that although "our two sides had differences on this point," nevertheless, we reached agreement on the joint communiqué.

The sudden turn of events is a triumph for Mr. Teng, who has pushed his pragmatic line in for-

sign and domestic affairs since he returned to power in July, 1977, after his unprecedented second political purge. The decision also provides a major landmark in the new era of reforms that began in China with the death of Mao on Sept. 9, 1976.

Mao made the first move to improve relations with the United States when he invited President Richard Nixon to Peking seven years ago, but he never appeared ready for an agreement that is as

favorable to continued U.S. ties with Taiwan as this one.

The Chinese need American backing to discourage the Soviet Union from any serious border intervention while they build up their ill-equipped and undertrained armed forces. U.S. approval of sales of European arms to China would also help speed the strengthening of China's defenses.

Even more importantly, Peking needs American technology and financial resources to meet its goal of

full industrialization by the 21st century. Trade contacts have increased without normalized relations between the two governments, but full diplomatic ties — and what is expected to be a quick solution to a 30-year problem of frozen assets — will allow American banks to provide speedy loans and allow the Chinese to take advantage of lower tariffs and other benefits.

Every major Chinese change in domestic or foreign policy in the

last 30 years has brought some kind of significant adverse domestic reaction, however. The Peking government continues to complain of resistance to its new, pragmatic policies from officials who remain loyal to the ideals of national self-reliance and internal class struggle formulated by Mao.

If the government experiences any significant failure in its effort to increase overall living standards and food supplies and to lower the rate of population growth, holdovers from the Mao era voicing nominal support for the government could rise again to challenge the turn toward pragmatism.

Age Is Factor

Mr. Teng is 74. His age, and the advanced age of many of his most capable allies among the veteran pragmatists in the government, leaves some doubt as to future Chinese policy. Mr. Teng's nominal superior, Mr. Hua, has appeared to defer to him in most important domestic and foreign decisions in the last year, but Mr. Hua has indicated some opposition to the new scientific and technical elite that Mr. Teng wants to encourage in order to speed modernization.

Many of Mr. Hua's potential allies among holdovers from the Mao era have been purged from important provincial and central offices in the last two years, but it remains possible that they could rise again, just as Mr. Teng himself did after being purged twice by Mao.

Mr. Teng has told interviewers that he wished to visit the United States at least once before he died. "Mao," he added, addressed the United Nations General Assembly in New York in 1974, but that was not considered an American visit. He remains the leading Chinese negotiator on relations with the United States and led the talks with Secretary of State Cyrus Vance in Peking in August, 1977.

The sudden normalization announcement indicates that the series of meetings at the Central Committee level that reportedly have been held in Peking in recent weeks have touched all major foreign and domestic problems.

The timing of the normalization decision suggests that an outpouring of wall posters in several Chinese cities, calling for reforms in foreign and domestic policy, may have been encouraged in part by Peking leaders who were seeking to persuade recalcitrant colleagues.

The normalization announcement also coincides with a period of great tension on China's border with Vietnam. Peking sternly warned Hanoi last week of serious consequences if it continued to make short raids into China. Vietnam has replied with allegations of Chinese incursions into its territory, and there have been reports of military preparations on both sides.

His conciliatory approach was

echoed by an editorial in today's editions of People's Daily, which said, "We are thinking of our Taiwan compatriots all the time, and the motherland, we know, is always in the minds of the people of Taiwan." The editorial endorsed reunification but said that it would be a lengthy process.

"We are firmly convinced that the day will definitely come when Taiwan will return to the embrace of the motherland and when our fellow countrymen there will be reunited with their kin and kin on the mainland," the newspaper said.

It is not known here what promises the Chinese may have made privately to the Carter administration about Taiwan's fate. In recent talks with other world leaders, however, the members of the Chinese hierarchy have pointedly disavowed use of force against Taiwan.

Assurance in Japan

In October, for example, according to Japanese sources, Deputy Premier Teng Hsiao-ping assured Takeo Fukuda, then premier of Japan, that the Chinese would never mount an assault on Taiwan.

Mr. Teng reportedly admitted that many Western defense specialists have long believed that the mainland lacks the military capability for an invasion and that Taiwan is potentially such an important economic asset to the Chinese that it must be spared.

Mr. Teng's remarks were immediately relayed to the United States, as he undoubtedly expected, Japanese diplomats say, and may have paved the way for normalization.

Poliburo Faction

Anticipating considerable congressional opposition to the abrogation of the 1954 mutual-defense treaty that has bound the United States to Taiwan, the Carter administration had hoped for an on-the-record promise from Peking that Taiwan would not be liberated forcibly.

The Hua regime balked at that, out of national pride and apparently some concern that such a promise would antagonize a powerful faction of the Politburo, led by military figures such as Vice Chairman Yeh Ching-ying and Defense Minister Hse Hsiang-chien.

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Peking residents clamor for copies of People's Daily announcing U.S.-China relations.

Officials Call China Decision Landmark

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Bob Dole, R-Kansas, said the announcement of diplomatic ties with Peking was timed by the White House to offset the new problems that have emerged in efforts to reach a political settlement in the Middle East, but this was strongly denied by White House officials.

"The process of reaching an agreement had a momentum of its own," said a senior White House official. "It was unconnected with domestic considerations and was brought about by the decision of the Chinese to accept our terms for the establishment of relations."

Officials noted two primary benefits of normalization: It would enable the United States to rapidly establish strong trade and technological links with China and at the same time give the United States greater diplomatic flexibility in East Asia and worldwide.

Timing Said Unconnected

They also predicted that the step would not worsen ties with the Soviet Union nor interfere with efforts to conclude quickly a strategic arms agreement with Moscow. And in emphatic terms, the aides emphasized that the timing of the decision was not connected with a possible summit meeting early next year between Mr. Carter and Soviet President Leonid Brezhnev.

"This was a strategic development in its own right," Zbigniew Brzezinski, Mr. Carter's assistant for national security, said in an interview. "It was not directed toward the Soviets or anyone else, but was designed to accomplish our objective of shaping a more open, pluralistic international system."

On the strategic aspects of the new relationship with China, a senior Defense Department official told reporters yesterday that it would clearly help the national security of the United States and enhance the situation of U.S. forces in the Western Pacific. This view was shared by the Joint Chiefs of Staff, he added.

The official said an overriding consideration in agreeing to normalization with Peking now was the administration's view that it would be much more difficult to accomplish at some future time if China's relations with the United States were to deteriorate or if China's relations with the Soviet Union were to change.

Summit Pressure

One of the chief factors driving Peking to complete talks on normalization, State Department officials said privately, was the likelihood of a Carter-Brezhnev summit early next year. They said Mr. Carter's invitation to Teng Hsiao-ping to visit Washington next month, which was evidently issued at a crucial point in negotiations earlier last week, may have had a decisive impact on the Chinese decision to accept his terms for normalization.

The officials also said that formal ties between Washington and Peking would be bound to affect Moscow. But rather than upsetting U.S.-Soviet ties, several aides predicted that the new developments

would make Mr. Brezhnev more interested than ever in completing a new arms accord with Mr. Carter. "Whether the White House will admit it or not," said one State Department official, "Mr. Carter's move has had the effect of establishing the triangular relationship between Washington, Peking and Moscow that the two previous administrations saw as the bedrock of their foreign policy."

Although Mr. Carter's decision to terminate the mutual-defense treaty with Taiwan has already provoked strong criticism from conservative ranks, officials argued that nothing in either the joint communiqué or the unilateral statements of both parties jeopardizes the security of the island.

In this regard, they note that Mr. Carter's unilateral statement reaffirms that the United States continues to have an interest in the peaceful resolution of differences between China and Taiwan, and that Peking's own statement, released by Chinese Premier Huang Hua, does not contradict this.

Although the U.S.-China communiqué says that after Jan. 1 Taiwan will be considered part of mainland China, the United States has reserved the right to continue "unofficial" economic and cultural contacts with the island.

U.S. to Recognize China, Drop Ties With Taiwan

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The officials also pointed out that the United States would retain the right to maintain a full range of cultural and economic ties, including the supply of defense arms, after the formal termination of the mutual-defense treaty at the end of 1979.

U.S. Concession

They also cited as a Chinese concession the agreement to exchange full ambassadors in March, before the formal termination of the U.S.-Taiwan defense treaty. Previously, the Chinese had said they would never do this.

The major U.S. concession in the agreement, however, was its willingness to sign without an explicit guarantee that force would not be used to retake Taiwan.

In his speech, Mr. Carter made special mention of the key roles played in the "long, serious negotiations" with the Chinese by his predecessors, Presidents Ford and Nixon.

Aides to the president said that the final push to complete the protracted negotiations had come from China, and that the details of the agreement had fallen into place within the last 10 days.

On the U.S. side, there has been a strong interest for some time in reaching normalization with the Chinese — both to enhance the U.S. position in Asia and as a

counterbalance to the Soviet Union. Earlier in the evening, administration officials confirmed that Treasury Secretary Michael Blum would be traveling to China shortly for a broad discussion of financial and trade matters. Among the subjects on his agenda would be the complex problem of the Chinese and the vast amounts of U.S. assets that have been frozen in the two countries since 1950. These would have to be freed as part of the normalization process.

The United States claims that about \$200 million worth of U.S. assets in China were seized at the end of the civil war. China is seeking about \$80 million in blocked assets.

The \$300-million project, on weather begun

WASHINGTON, Dec. 17 (Reuters) — A \$300-million project to improve weather forecasting in the next decade is under way, according to Richard Frank, head of the U.S. National Oceanic and Atmospheric Administration. Mr. Frank said the project, begun Dec. 1 and involving 147 countries, would concentrate on the tropics and the vast oceans in the Southern Hemisphere. The project would go on until Nov. 30 and use four polar satellites, 50 ships, 110 aircraft, 300 high-altitude balloons and 300 buoys. The data will be processed in several countries.

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\$300-Million Project

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WASHINGTON, Dec. 17 (Reuters) — A \$300-million project to improve weather forecasting in the next decade is under way, according to Richard Frank, head of the U.S. National Oceanic and Atmospheric Administration.

Mr. Frank said the project, begun Dec. 1 and involving 147 countries, would concentrate on the tropics and the vast oceans in the Southern Hemisphere. The project would go on until Nov. 30 and use four polar satellites, 50 ships, 110 aircraft, 300 high-altitude balloons and 300 buoys. The data will be processed in several countries.

counterbalance to the Soviet Union. Earlier in the evening, administration officials confirmed that Treasury Secretary Michael Blum would be traveling to China shortly for a broad discussion of financial and trade matters. Among the subjects on his agenda would be the complex problem of the Chinese and the vast amounts of U.S. assets that have been frozen in the two countries since 1950. These would have to be freed as part of the normalization process.

The United States claims that about \$200 million worth of U.S. assets in China were seized at the end of the civil war. China is seeking about \$80 million in blocked assets.

OPEC Raises Price of Oil by 14.5%

(Continued from Page 1)

half-way between the appeals of Saudi Arabia, Kuwait and the United Arab Emirates and other moderate nations for a price increase of about 5 percent, and the demands of such pricing "hawks" as Iraq and Libya for 25-percent increases.

The ministers lashed out in their communique at the wasting of oil, and the oil minister of the United Arab Emirates, Sheikh Mansur Said al-Otaibi, said that "I feel very strongly that oil is not the way of cheap fuel." He added, "Oil is not used in the best way and the source

of energy in the very near future are very limited."

Mr. Otaibi said the increase decided on today "was very reasonable and gradual." OPEC nations have seen their balance-of-payments surplus dip from \$65 billion in 1974 to an estimated \$15 billion for this year. While all OPEC countries had a surplus in 1974, after the quadrupling of world oil prices in the 1973-74 period, the cartel's eight most populous nations are expected to have a deficit of a half-billion dollars in 1978.

(Theater's reaction U.S. and Canada to OPEC decision, Dec. 17, 1978.)

WEATHER

	C	F	Clouds		C	F	Clouds
ALABAMA	12	54	Cloudy	MADRID	10	50	Cloudy
ALASKA	12	54	Cloudy	MILAN	12	54	Fair
ARIZONA	12	54	Cloudy	MONTREAL	12	54	Fair
ARKANSAS	12	54	Cloudy	MOSCOW	12	54	Fair
ATHENS	12	54	Cloudy	MUNICH	12	54	Fair
AUSTRIA	12	54	Cloudy	NEW YORK	12	54	Fair
BELGIUM	12	54	Cloudy	NICARAGUA	12	54	Fair
BENIN	12	54	Cloudy	OLYO	12	54	Fair
BHUTAN	12	54	Cloudy	PARIS	12	54	Fair
BURUNDI	12	54	Cloudy	PRAGUE	12	54	Fair
BURUNDI	12	54	Cloudy	ROME	12	54	Fair
BURUNDI	12	54	Cloudy	SOFIA	12	54	Fair
BURUNDI	12	54	Cloudy	STOCKHOLM	12	54	Fair
BURUNDI	12	54	Cloudy	TEHRAN	12	54	Fair
BURUNDI	12	54	Cloudy	TEL AVIV	12	54	Fair
BURUNDI	12	54	Cloudy	TOKYO	12	54	Fair
BURUNDI	12	54	Cloudy	TUNIS	12	54	Fair
BURUNDI	12	54	Cloudy	VIENNA	12	54	Fair
BURUNDI	12	54	Cloudy	WASHINGTON	12	54	Fair
BURUNDI	12	54	Cloudy	ZURICH	12	54	Fair
BURUNDI	12	54	Cloudy				

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Another 'Reality to Reckon With'

U.S. Move to Test Russians on SALT

By Kevin Klose

MOSCOW, Dec. 17 (WP) — Leonid Brezhnev, in a pugnacious toast six weeks ago to a new Soviet-Vietnamese friendship treaty that is aimed squarely at China, declared the pact to be "a political reality and whether they want it or not, they will have to reckon with this reality."

Yesterday, a Chinese source permitted himself a smile as he recalled Mr. Brezhnev's words and savored the unpleasant political reality confronting the Kremlin: the announcement by President Carter that the United States and China would establish normal diplomatic relations Jan. 1.

The diplomatic breakthrough is the most spectacular achievement of the new Chinese leadership since it began this year to break decades of isolation and challenge the Soviet Union around the world while seeking aid from the capitalists to modernize its economy.

Unpleasant Lesson

The Soviet leader's toast of Nov. 3 neatly summarizes the Kremlin's predicament: It is something they will have to learn to live with and it is going to be less than pleasant learning.

The news comes at a delicate moment in the U.S.-Soviet relationship, which is on the upswing after more than a year of friction. The two nations are nearing completion of a new arms limitation treaty, which could lead to a Carter-Brezhnev summit as early as next month in Washington.

Soviet apprehensions about the Chinese have increased in recent months, triggered by Peking's dip-

lomatic successes in such places as Japan, Romania and Yugoslavia, where the Russians have long had important interests in minimizing China's access and influence. The Kremlin's concern over Peking's success has been immeasurably sharpened by the seeming readiness of France and Britain to sell China advanced weapons, such as the Harrier jet fighter and anti-air missiles, and to find other high-tech items for other major deals the Russians would like to have.

Diplomats here, were stunned by the news, saying that they had not expected the White House to arrange for the resumption of full relations before the Brezhnev-Carter summit. The Russians have stated that the SALT treaty is too important to be affected by any other lateral concerns. The Carter timing is going to put that to the test, one Western diplomat observed.

Chinese in Geneva

He said that the first real Soviet reaction may come at the Geneva talks next week between Secretary of State Cyrus Vance and Soviet Foreign Minister Andrei Gromyko. It had been thought by several well-informed Western sources here that the Geneva talks would wrap up the last SALT II treaty and clear the way for a summit.

Beyond a brief news item by Tass, there has been no public Soviet comment here. Some diplomats speculated that Peking-Washington normalization could act as a spur to the Russians to reach an agreement on SALT more quickly — as a means of cementing the special relationship they say hinges on the arms pact, which is described by

Soviet officials as the heart of détente. European and Asian diplomats today expressed virtual unanimity that the Russians will find it difficult to raise initial objections over the normalization. This is something they have criticized the U.S. for not having for perhaps 20 years. "Of course, their view has changed a little from former days, but I should think they will find it difficult to complain about."

At the same time, these sources say that they believe that the Russians would view with alarm any U.S. effort arising from normalization to begin arms or technology transfers to China in a major way. "That's the bottom line for them," one source said. "It is something they have made quite clear on many occasions."

Anger at Japan

The Soviet attitude toward Peking has hardened this year in the face of continued Chinese successes in diplomacy and at the negotiating table. The principal cause of Kremlin anger and alarm this fall is the Sino-Japanese peace and friendship treaty, which contains an "anti-hegemony" clause that the Russians interpret as directed at them to blunt their legitimate attempts at influence in Asia.

The Peking-Washington communiqué has a similar anti-hegemony clause, pledging the two nations not to seek hegemony over each other or to oppose similar aims of any other nation. The Kremlin seems certain to view the clause as aimed at it and this may be where the strongest Soviet reaction will come.

What form such a response could take is unclear. The Russians in recent months have issued a variety of warnings to the West in general, and to the United States in particular, against trying to play the "China card." Initially, the Kremlin ire was directed at Mr. Carter's national security adviser, Zbigniew Brzezinski, but then it broadened into more general warnings.

Brezhnev Predicts Regret

In a June speech in Minsk, Mr. Brezhnev said that the "White House was pursuing a short-sighted and dangerous policy" in its attempts to strengthen ties with China. "Its architects may bitterly regret it," he declared.

Last month, Georgi Arbatov, a senior adviser to the leadership on U.S. relations, said in an interview with a Western journalist that while the Soviet Union is not "scared by China," it favors normalization, "the situation would look different to us if China established itself as a 'some sort of military ally of the U.S.'"

"If such an axis is built on an anti-Soviet basis, then there is no place for détente," he said.

Military Alliance Alleged

MOSCOW, Dec. 17 (AP) — The Soviet military newspaper Krasnaya Zvezda said today that the United States was striving to create a "military-political bloc" along with Japan and China, aimed against the Soviet Union.

Shah's Foes Call a Strike

(Continued from Page 1)

Opposition politicians here doubted that Ayatollah Montazeri, who was freed after serving 3.4 years of a 10-year sentence, would try to persuade Ayatollah Khomeini to return to Iran. "That decision is Khomeini's alone," one said. "I don't think he will come back until the shah goes."

Another opposition politician said that he believed Ayatollah Montazeri was going to Paris to sort out problems in the entourage of Ayatollah Khomeini. Some Tehran clergymen have been prevented recently from seeing the 78-year-old religious leader, the politician added.

In Paris, informed sources said Ayatollah Montazeri was ill and might be coming to France partly to receive medical treatment. They did not disclose the nature of his reported illness.

Figurehead Plan Reported

TEHRAN, Dec. 17 (WP) — The shah has agreed to become a figurehead monarch in an effort to preserve his dynasty, a close associate said today.

Jaafar Sharif-Emami, who was prime minister for a little over two months until a military-led government came into power in late November, said the shah was now "convinced that for the health of the country and the benefit of the dynasty he should reign [but] not rule."

"The trouble is," Mr. Sharif-Emami added, "people don't believe it yet."

Hayakawa 'Furious'

WASHINGTON, Dec. 17 — Some of the angriest reaction to the president's announcement came from Sen. S.I. Hayakawa, R-Calif., Friday night.

Declaring that he was "pretty damn furious," the senator said, "We've given diplomatic recognition to perhaps the world's greatest concentration camp."

Taiwan's Reaction to Act Is Restrained

(Continued from Page 1)

of a foreign-affairs committee in the legislature, "but the timing was a shock, on the eve of elections."

Mr. Chiang expressed a need to "strengthen the friendship and the mutual interests of our two peoples," leaving little doubt that the government had embarked on a course of moderation toward the United States.

The reasons seem self-evident: The United States is Taiwan's largest trade partner. Trade last year between the two amounted to \$3.6 billion of a total foreign-trade figure of \$17.9 billion. The two nations, Mr. Chiang in effect noted, are bound by trade.

Through a vigorous and rapidly expanding commercial nation of 17 million persons, is overwhelmingly dependent on this trade. Taiwan's foreign trade nearly equals its gross national product.

Threat Is Minimized

According to Chang Kuang-shih, the minister of economic affairs, Taiwan is not necessarily threatened by the United States recognition of Peking. "Recognition will not have a serious effect on the economic stability of Taiwan, for all that it is regrettable," she said. "Everyone knows that Taiwan has plenty of foreign reserves [at \$6.5 billion], booming foreign trade."

She said that "the government will continue with its policy of free trade, stepping up imports in the future."

U.S. businessmen here expressed confidence in Taiwan. "This move has been anticipated by American investors for a long time," said Robert Parker, president of the United States Chamber of Commerce here. "I am confident that normalization will in no sense affect the confidence and investments of Americans in Taiwan." He predicted that trade between the two nations would expand. He criticized President Carter's decision to sever relations with Taiwan, however, as "a historic mistake."

Kent Price, a vice president of Citibank here, said that the bank would remain in Taiwan "by all

means." And a graduate student at Tam Kang College of Arts and Sciences, Dick Tai, commented, "It is better this issue is solved, the sooner the better."

"We have been humiliated long enough by the Americans," said Tai. "It is time that we face reality. There should be no problem at all as long as we stand together tall and firm."

A major unanswered question, however, is how the United States should deal with the many treaties with Taiwan. These cover trade, nuclear fuel supply, and scientific, educational and other matters vital to Taipei. Defense issues may be less important by comparison.

About \$1.66 billion, 48 percent of the \$3.45 billion fiscal 1978 budget,

To Justify Arms Sales

Soviet-Taiwan Tie Hinted By Carter in China Talks

By Don Oberdorfer and Edward Walsh

WASHINGTON, Dec. 17 (WP) — President Carter told a Chinese emissary in the Oval Office on Sept. 19 that the United States intended to continue supplying arms to Taiwan indefinitely as a contribution to Asian stability and to forestall developments that would be undesirable from the viewpoint of both big powers.

Mr. Carter did not spell out the obvious danger of a future Moscow-Taiwan military relationship in his talk with Chai Tse-min, newly arrived chief of the Chinese Liaison Office, according to informed U.S. officials, but there was little doubt among those officials that Mr. Carter's point was understood by the Chinese.

The president's justification for continuing U.S. arms sales to Taiwan, one of the most delicate and difficult issues in almost six months of secret negotiations with Peking, was disclosed yesterday as Carter administration officials discussed the normalization of diplomatic relations with China — announced Friday night — and where it may lead.

Other Developments

Among other developments:

• A senior Defense Department official said that military analysts do not believe China could invade Taiwan successfully for at least five years, and that the analysts do not believe that China has any intention of launching such an invasion.

• Treasury Secretary Michael Blumenthal and Commerce Secretary Juanita Kreps began making plans to go to Peking early next year for talks about expanded trade relations and the settlement of financial claims pending since the Communist takeover of China in 1949.

• Sen. Bob Dole, R-Kan., charging that the Carter administration saved in China, urged early hearings by the Senate Foreign Relations Committee on future U.S. relations with Taiwan.

• A senior administration official said the China move probably would mean a net gain in the Senate for the expected Strategic Arms Limitation Treaty with the Soviet Union. The official said that the United States still hopes that Soviet leader Leonid Brezhnev will come to Washington to sign a completed SALT treaty in mid-January, before the Jan. 29 visit of Chinese Vice Premier Teng Hsiao-ping.

Most attention in Washington yesterday centered on the arrange-

ments affecting Taiwan, the most politically sensitive part of the newly announced accord both here and in Peking.

Officials said that the U.S. objective was to achieve the substance of Chinese peaceful intent regarding Taiwan and to enhance U.S. confidence in a peaceful settlement there, even though an explicit Chinese statement of peaceful intention was considered unobtainable. China firmly regards the future reunification of Taiwan with the mainland as an internal matter.

The United States acceded to the three basic Chinese conditions: sever diplomatic relations with Taiwan, withdraw all U.S. military forces, and cancel all existing treaties. Nonetheless, in the administration view, the lengthy and highly secret negotiations produced three accomplishments regarding Taiwan's future.

First, the United States insisted successfully that the Mutual Defense Treaty with Taiwan will be ended with one year's notice as provided in the document rather than scrapped overnight. The effect of this, officials noted, is that the United States will have both a defense pact with Taiwan and diplomatic relations with Peking for a year from Jan. 1, 1979, when a formal treaty termination notice is to be given Taiwan and relations established with China.

U.S. Statement

Second, the United States insisted on stating that it "continues to have an interest in the peaceful resolution of the Taiwan issue and expects that the Taiwan issue will be settled peacefully by the Chinese themselves." Another part of this arrangement is that the Chinese would not make any statement contradicting the U.S. stand.

Third, and perhaps most difficult, the United States insisted on continuing the sale of arms to Taiwan even after normalization of relations with Peking and termination of the military pact with Taiwan.

The eventual solution, in this case, was a carefully crafted set of statements at a White House brief-



Mayor Dennis Kucinich unsuccessfully urges City Council to approve fiscal rescue plan.

\$15.5 Million in Loans Unpaid

Cleveland Defaults as Deadline Passes

By Reginald Stuart

CLEVELAND, Dec. 17 (NYT) — This city went into fiscal default yesterday when its government failed to repay \$15.5 million in loans to a group of local banks and the city treasury.

As Friday's midnight deadline for repayment of the loans passed, the City Council had not acted on the fiscal rehabilitation plan proposed by Mayor Dennis Kucinich. Operating under parliamentary procedures that prohibited a formal vote on the mayor's plan, the council adjourned at three minutes past midnight without considering the proposal.

Mayor Kucinich and his staff began preparing plans yesterday to lay off 3,000 to 5,000 city employees, beginning tomorrow, to conserve the city's limited supply of cash.

The crisis is a result of the city's shrinking income compared with the cost of operating government and, say financial experts, improper management of its funds in the past. The city anticipates a deficit this year and next year, has a \$52 million bond deficit and has \$40 million in short-term loans due within the next 12 months.

"There's no way that layoffs can be avoided," the mayor said yesterday. "We're at the confluence of a number of events — default, anticipated demand of debts from creditors, and inability to issue bonds and no rescue plan approved," the mayor, a Democrat, said. "Those interlocking elements have placed the city in a position where it is impossible to maintain thousands and thousands of city employees." The city employs a total of 10,000 workers.

Political Battle

The council members had gathered at City Hall Friday for an 11 p.m. emergency session called by the mayor, who was seeking to surmount stiff council opposition before the deadline, which had been set by the bank creditors.

Despite the emergence of numerous plans and proposals, alternatives and options, a political pitting the mayor against the majority of the City Council and much of the business community failed to subside in time for the three groups to agree on some plan that would have provided for payment or refilling of the \$15.5 million as well as other loans that fall due next year.

Fiscal default, a term generally used to describe the point at which a city fails to pay fixed debts on loans or bonds on time, could have grave implications for this once thriving industrial city of 650,000 persons, the largest city in Ohio. It does not necessarily mean that bankruptcy is imminent. Neither the city nor its creditors have sought court intervention in the city's affairs for settling its debts.

Although many of those who filled the state Cleveland City Council chambers Friday night expressed shock and dismay that Cleveland is the first major U.S. city to default since the Depression, the prospects for this happening have been jelling for several weeks.

There were many issues that created the political ill will among leaders here and that eventually frustrated the prospects of agreement on fiscal rehabilitation that would have the backing of bank creditors. Symbolic of those differences was a lingering dispute over the antiquated and debt-ridden Municipal Electric Light Plant, which the city owns.

The bankers and council members wanted any rescue plan to include the sale of the plant, and the mayor refused to go along with it. The council members and the business community cited the plant as a worthless drain on the city. The mayor used the plant as the cornerstone of his "urban populism" policy by insisting on keeping it as a check on private power.

The pressure to force the 32-year-old mayor's unyielding hand have been intense. A group of City Council members took the mayor to court two weeks ago seeking a court order for the mayor to sell the Municipal Light Plant in accordance with a 1977 ordinance to that effect.

Friday night, the stakes grew higher when the Cleveland Trust Co., the city's biggest bank and one that balked at the mayor's fiscal rescue program, offered to buy \$50 million in bonds from the city if the mayor would sign a City Council-sponsored resolution that provided

fiscal rehabilitation for the city tied to the sale of the light plant.

The mayor, however, denounced the banks and the council for making such a proposal, calling it "blackmail."

There were these other developments: • Mr. Kucinich, in a last-ditch attempt to stave off default, called the White House yesterday asking for an advance on the city's federal revenue-sharing funds. The request was rejected as "impractical," according to a highly placed administration official.

The general feeling in Washington, both in the administration and

among urban organization representatives, is that the Cleveland situation is a unique product of bizarre politics and bad management and that the state of Ohio and the city have the capacity to solve the problem.

A spokesman for Gov. James Rhodes said yesterday that Tom Moyer, assistant to the governor, was monitoring the developments here but had no action plan. Gov. Rhodes is on Christmas vacation in Fort Lauderdale, Fla., and the state constitution prohibits the state from interfering with the affairs of a chartered city, which Cleveland is, without being asked.

Rickover Shipyard Study Cited Radiation Problems

By Bernard Weinraub

WASHINGTON, Dec. 17 (NYT) — Two months before Adm. Hyman Rickover, the head of the U.S. Navy's nuclear submarine program, testified that there were no radiation problems at the Portsmouth Naval Shipyard in New Hampshire, the admiral privately informed the Navy of serious radiation hazards at the yard, a Ralph Nader organization said yesterday.

The organization, issuing copies of Adm. Rickover's confidential report to the Navy as well as his congressional testimony, urged Defense Secretary Harold Brown to provide "a straightforward explanation for the apparent discrepancy between the public and private versions of conditions at Portsmouth."

In a long statement responding to the charge, the Navy charged the Nader group with being both inaccurate and misleading. It said that "over the last dozen years, the total radiation exposure to shipyard workers has been cut in half, even though the number of nuclear-powered ships has nearly doubled."

The Navy added that "in the last decade, no one has received more exposure to radiation associated with naval nuclear-propulsion plants than allowed by federal regulations."

The statement said the admiral's language in his confidential report was "strong" because he demanded "high performance standards of radiological controls at all shipyards." But it added that the "deficiencies" listed at Portsmouth were not severe enough to be considered as probable violations of federal regulations.

The Nader report was issued by

the Critical Mass Energy Project, which is part of Public Citizen, one of the consumer activist's organizations. The report indicated that Adm. Rickover's comments before the House Interstate and Foreign Commerce subcommittee on Feb. 28 conflicted with an internal 37-page inspection report that Adm. Rickover sent to the Navy on Dec. 30, 1977.

Adm. Rickover told the House Subcommittee on Health and the Environment, "To the best of our knowledge, ability and to the best scientific evidence we have, we do not see a problem" in radiation at the base.

But in his confidential report, Adm. Rickover noted that the Portsmouth shipyard, which serviced nuclear-powered submarines, faced major problems largely because 80 percent of its personnel had failed written exams for radiation-control procedures.

This resulted, Adm. Rickover's report said, in an "unsatisfactory rate" of high-radiation incidents at the shipyard, problems in the yard's radiation-protection program, inaccurate radiation surveys and record-keeping and unnecessary worker exposure.

Details about the high rate of cancer deaths among civilian workers on nuclear submarines were disclosed earlier in the year by Dr. Thomas Najarian, a blood specialist at a Veterans Administration hospital in Boston. At the time, Dr. Najarian said that workers on nuclear submarines at the Portsmouth yard had a cancer rate that was more than twice the national rate.

The Boston Globe reported the findings on Feb. 19.

Money Runs Out, Stranding Students From Abroad

Foreigners Fail to Save a U.S. College

By Michael Knight

PUTNEY, Vt., Dec. 17 (NYT) — Windham College began closing its doors Friday. It was the latest in a growing list of small liberal arts schools unable to survive in an era of declining college enrollments.

The tiny school's closing, which was announced Thursday morning after money for food and heating ran out, will strand more than 75 students brought into the country from Iran and Jordan in a last-ditch attempt to keep the school alive. In September, before the foreign students arrived, the college had an enrollment of about 180.

The foreign students are part of a group of 500 recruited each year by a Pennsylvania educational consulting company that attracts students with glowing descriptions of a quality education in the United States and then turns them over, for a fee, to financially ailing schools here otherwise unable to fill seats.

The halls of the college's administration building on a hillside in this little village were thronged Friday with anxious young men speaking Arabic and Persian who deluged college officials and a representative of the Iranian Consulate in New York with pleas for help and angry denunciations at what they considered fraudulent recruiting practices.

A carload of additional foreign students, part of a group of 150 whose tuition fees had been expended to save the school, arrived Thursday after the closing announcements. More had been expected to arrive before state

troopers sealed the campus yesterday to protect the interests of the college's creditors, who are owed more than \$6 million.

Windham's 180 American students, all that could be recruited to fill a modern \$10 million campus designed 10 years ago to accommodate 900 students, spent the day moving out and shifting through the debris of Thursday night's vandalism, in which angry students smashed chairs and tables, upended garbage cans and lit numerous small fires.

The American students talked of going home Friday, but a number of foreign students said they might risk arrest by staying in the dormitories because they had nowhere else to go.

"They called us here from 10,000 miles away and risked our careers for nothing," said Samin Hwsini, a Pakistani. "We have no place to go and we have no money."

"Here is Nothing"

Others said they had been told that Windham was a large university in a big metropolitan center and that it was widely known for its medical school. "They told us here it is nice place and here is good," said Abdol Reza Memman, an Iranian. "Is nice place, but here is nothing."

Similar complaints have been filtering through New England in recent weeks as foreign students have been arriving at colleges that include Nathaniel Hawthorne College in Andover, N.H., Daniel Webster College in Nashua, N.H., and Hesser College in Manchester, N.H.

Ford Rules Out New Hampshire Race

By David S. Broder

WASHINGTON, Dec. 17 (WP) — Former President Gerald Ford said Friday he would not be a candidate in the 1980 New Hampshire primary and would not endorse or support anyone else for the Republican nomination.

In an hour-long talk with reporters, he did not firmly shut the door on a late-starting candidacy of his own, but he went a long way toward taking himself out of the early maneuvering for the nomination.

Saying it would be "good for the party and good for the candidates to have a full field in New Hampshire," Mr. Ford said "the odds are heavy that I will not be involved under any foreseeable circumstances" in that state's lead-off primary in February 1980.

The statement confirmed the expectations of most of the 1980 Republican hopefuls about Mr. Ford's plans and cleared the way for some of them to push ahead with their announcements.

Sen. Robert Dole, R-Kan., Mr. Ford's 1976 running mate, said, "If he's not in New Hampshire, I may be." Sen. Dole has made eight trips to New Hampshire in the past year, but has said that if Mr. Ford ran, he would defer to him.

Bush Not Surprised

George Bush, former director of Central Intelligence who has already signed up many of the leadership of Mr. Ford's 1976 New Hampshire campaign committee, said he was "not surprised" by the statement and would go ahead with his own plans for an "early filing" of an official presidential candidacy.

John Sears, the manager of Ronald Reagan's 1976 campaign, said he was "surprised that Ford was that specific," but said the former president had indicated such a decision in a recent private conversation with Mr. Reagan.

Mr. Sears forecast the announcement of a Reagan campaign committee by March 1. That same timetable was predicted for John Connally by an aide to the former Texas governor, who said he saw no reason why Mr. Connally would bypass New Hampshire if he ran.

Two other possibilities — Sen. Howard Baker Jr., R-Tenn., and Rep. John Anderson, R-Ill., said Mr. Ford's statement would not affect their plans or timetable. Mr. Anderson said he would decide "as early as possible in 1979" and Sen. Baker said his decision would wait until summer.

With Rep. Philip Crane, R-Ill., already announced and campaigning in New Hampshire, the field appears likely to include at least four and perhaps as many as seven candidates.

Narrow Victory

Mr. Ford did not explain specifically why he ruled out running in New Hampshire — where he won a narrow victory over Mr. Reagan in 1976. But he said he had "no insatiable, scheming appetite to be president" and seemed content to let events decide whether he eventually becomes a candidate.

Predicting that "no one will win by a wide margin" if a big field enters New Hampshire, Mr. Ford said "there will be a contest down the line" before Republicans find a "consensus candidate."

He said he had no "favorite candidate" for the nomination and would not support one before convention time.

While moving away from active participation in the 1980 campaign, the former president showed no hesitation in drawing the line with his successor in the White House.

He said President Carter's economic policies had been "a disaster" and were directly responsible for the upsurge of inflation. To combat it, Mr. Ford said it was "absolutely essential" for [Carter] stick to his decision to keep the def-

icit below \$30 billion, or his whole program will go down the drain."

Calling the administration's wage-price guidelines "just window dressing," Mr. Ford said he opposed them because they are "not voluntary."

Wielding the Club

"Using the club of government in awarding contracts" to firms that comply with the guidelines is just one step short of mandatory controls, he said.

Despite his criticism of Mr. Carter's policies, Mr. Ford forecast that the president would be reelected by the Democrats. And he did not close the door on supporting Mr. Carter in the coming fight on a strategic arms treaty with Russia.

He said he would make no decision on supporting a SALT-2 agreement until it was finally negotiated and he had been briefed by both administration experts and critics of the treaty.

Mr. Ford renewed his criticism of Mr. Carter's actions in scrapping some strategic weapons systems, asking rhetorically, "Wouldn't it be

easier to sell a SALT-2 treaty if we had about four B-1 bombers coming off the production line right now . . . with the kind of strong defense capability they represent?"

But when asked if partisan considerations or the internal politics of the Republican Party would influence his thinking on SALT, Mr. Ford noted that he had supported Mr. Carter on the Panama Canal treaties, when many Republicans said any person taking such a stance would be rejected in 1980 by the GOP convention.

"SALT 2," he said, "is infinitely more important to the long-range security of the United States than the Panama Canal treaties. A person in my position has to make that decision regardless of its implications" for Republican politics.

He said, however, that it was important to his decision whether Mr. Carter fulfills his pledge to increase defense spending "across-the-board" this year by 3 percent above the inflation rate. "If there's a backoff from that pledge," Mr. Ford said, "it's a mistake."

Sunny Site of U.S. Meeting Gets House Member's Heated Protest

WASHINGTON, Dec. 17 — As the weather here grows cold and blustery, the State Department is sponsoring an aviation conference in sunny Kingston, Jamaica.

And Rep. Glenn Anderson, D-Calif., is hopping mad about it, despite the fact that he has been invited to attend the Jan. 30-Feb. 2 meeting at the taxpayers' expense.

"I certainly agree that holding the symposium in an area which does not suffer severe winters is a fine idea to encourage attendance and is conducive to a productive meeting," Rep. Anderson told Secretary of State Cyrus Vance in a letter released Friday.

The conference should be held in Southern California — or in Florida, Puerto Rico or the Virgin Islands, Rep. Anderson wrote, "I am surprised and in fact shocked that the Department of State would choose a foreign country in which to hold a symposium they are sponsoring, especially now, during severe balance-of-payment problems and fiscal constraints," he wrote.

Rep. Anderson, who represents a Los Angeles suburban area where the aerospace industry is a leading employer, said he refused to attend the meeting — even though he is chairman of the House Public Works subcommittee on aviation, and even though the conference will feature 200 world experts on the international air transport system.

Los Angeles Times

Concorde's Texas Service Will Follow Bizarre Rules

By Douglas B. Weaver

WASHINGTON, Dec. 17 (WP) — "Why is that man climbing the Concorde out there and pasting that great big letter N on the side of the airplane?"

To cover up the letter G, of course.

The legal nuts and bolts that will allow British Airways and Braniff International to inaugurate their one-stop, same-plane Concorde service between London and Dallas-Forth Worth appear to require such a change in the plane's registration number when the plane stops at Dulles International Airport near Washington. Air France and Braniff are going to do the same thing on their flights between Paris and Dallas.

The airlines' "interchange agreement" will give British Airways and Air France more flying time for the expensive Concordes, which now sit unused overnight at Dulles. For its part, Braniff will be able to offer Concorde service linking Dallas to Bahrain via Washington and London.

But the red tape is something else. Federal laws require U.S. airplanes to have registration numbers that begin with an N. British laws require that British Airways planes have registration numbers that begin with a G. Thus, the N to cover the G, because the Concorde must be a U.S.-registered airplane if Braniff is to fly it between Washington and Dallas.

The French laws are so confusing that perhaps as many as two or three French digits or letters will have to be covered or altered before Braniff can fly an Air France Concorde. "We're still working on it," said Jerry Cox of Braniff.

Further, a U.S.-registered airplane must be owned by a corporation "lawfully organized and doing business" in the United States. It cannot be registered under the laws of any foreign country.

British Airways and Air France have organized subsidiary U.S. corporations to own the Concordes when Braniff flies it. That solves that problem. But it also means that the airplane's ownership must change every time a British or French crew gets off the plane and a U.S. crew gets on.

For the registration to be changed, under U.S. law, "It must be shown that the foreign registration has ended or is invalid." Thus, a designer of British or French or the United States every time the Concorde comes through to certify that the "foreign" registration has been canceled.

Only after that has been achieved can someone climb on the plane and paste on or remove the big N. The passengers never have to leave the plane, which means they'll miss all this.

"I think we have an opportunity here to inaugurate something really special," said a British source who asked to remain unnamed. "We could call it the ceremony of the patch." At least once a week a brass band could come out and play while the fellow climbs on the side of the plane and places the patch.

over the G. It could become international tradition.

Air France-Braniff is planning two round trips a week between Paris and Dallas. British Airways-Braniff is planning three round trips a week. The Concorde will fly superphonically only over the Atlantic.

Final approvals are pending, but everyone expects the service to begin some time in January.

Steel Walkout In W. Germany Is Said Near End

DUESSELDORF, Dec. 17 (AP) — The first steel strike in West Germany's industrial Ruhr area in 30 years appeared to be close to settlement today after 21 hours of bargaining.

Officials said that the latest offer to the workers included a paid free shift every 13 weeks, more vacation and a 4 percent wage increase. Observers concluded that the proposals would lead to introduction of a 39-hour work week by 1980. Officials said that it was now up to the tariff commissions on both sides, employers and unions, to approve mediation efforts and end the 20-day strike. Meetings were scheduled for today.

The IG Metall metal workers union is striking selectively at eight iron and steel plants in northern Germany. Employers answered the walkouts with lockouts in another eight plants, idling 80,000 of the area's 208,000 workers.

The strike followed a breakdown of negotiations between IG Metall workers, who demanded a 5 percent raise and steps to introduce a 35-hour week, which they said would safeguard jobs.



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In 1975 San Francisco Election

Jones Allegedly Organized Busloads of Illegal Voters

By John M. Crewdson

SAN FRANCISCO, Dec. 17 (NYT) — Determined to help elect candidates friendly to his Peoples Temple, James Jones ordered what some court members say was an organized campaign of fraudulent voting practices that included importing busloads of illegal voters to cast ballots in this city's 1975 municipal elections.

Among those named by some of Mr. Jones' former followers as recipients of his political support were Mayor George Moscone and Supervisor Harvey Milk, both of whom were shot and killed in their city hall offices three weeks ago, allegedly by a former city official.

The police have said that the shooting was unrelated to the Peoples Temple.

The former followers said that Mr. Jones also ardently supported Joseph Freitas, the San Francisco district attorney; Mervyn Dymally, the lieutenant governor of California; State Sen. Milton Marks and Willie Brown Jr., the city's state assemblyman.

The alleged voting fraud is under investigation by Mr. Freitas. False voter registration in California is a felony punishable by up to four years in prison.

Out-of-Town Voters

One former cult member, Neva Jones, said her husband, Don Jones, had driven busloads of cult members here to vote from Redwood Valley, Mr. Jones' settlement in northern California, and also from the cult's branch in Los Angeles. The out-of-town voters, Mrs. Jones said, were previously registered at the addresses of cult members living in San Francisco.

Don Jones, the man identified as having held a knife to the throat of Rep. Leo Ryan at the cult's Guyana commune a month ago, is among those unaccounted for in the aftermath of Rep. Ryan's murder and the Jonestown, Guyana, murder-suicide ritual in which Mr. Jones and more than 900 of his followers died.

Wanda Johnson, who resigned from the cult in 1976, described Mr. Jones as the head bus driver and said that, in addition to those he transported, hundreds of other members living secretly at the San Francisco temple in violation of health and welfare laws had also been registered at addresses around the city.

Kay Henderson, who belonged to the cult from 1971 until 1975, said that several members who had never lived at her San Francisco home had been registered to vote at

that address without her knowledge. Once she became aware of the possible voter fraud, she said she kept silent out of fear of retaliation from Mr. Jones.

Affidavits Required

Anyone registering to vote here in 1975 was required to sign an affidavit affirming that his residence was in San Francisco, but the declarations were not checked.

Mr. Jones' adherents probably numbered about 5,000 — a sizable bloc in a city where the average voter turnout runs close to 200,000.

In the runoff election for the mayor's office in 1975, for example, Mayor Moscone was elected by just 4,000 votes, and Mr. Freitas won by less than 10,000.

Following an election, Mrs. Johnson said, members were required to produce ballot stubs showing that they had voted. Non-voters, she said, were "pushed around, roughed up, physically abused."

Asked how Mr. Jones could insure that members actually voted, Mrs. Jones said she was not sure. She said that she had voted illegally. When he learned of this investigation, Mrs. Johnson said, Mr. Jones grew concerned.

Mr. Freitas placed Timothy Stoen, a newly hired deputy district attorney who was also a longtime member of the Peoples Temple and chief legal adviser to Mr. Jones, in charge of the investigation. Although about 50 persons were indicted, none was a member of the Peoples Temple.

Although former cult members said that Mr. Jones and his followers worked for the election of Mr. Freitas, Mr. Freitas said that he had not been aware of their support for or of the cult's existence until after his election.

After he assumed office, however, Mr. Freitas was among those who attended a testimonial dinner in Mr. Jones' honor, and last year the Peoples Temple sent a check for \$400, drawn on its own account, to an organization calling itself the Friends of Freitas.

The Peoples Temple is a nonprofit California corporation that has claimed exemption from federal taxes on religious grounds. As such, it would be prohibited from making contributions to political candidates.

The China Agreement

We do not pretend to comprehend the full implications of the agreement that has now been reached to establish full diplomatic relations between the United States and the People's Republic of China. Surely the test of it will lie not just in some larger geopolitical striking of balances between the world's great powers but also in the very specific matter of the fate of 18 million people on Taiwan. The critics have already zeroed in on the Taiwan question, and with good reason: The American commitment to the Taiwanese is of long standing. It is moral, not just legal. And other countries heavily dependent upon America's goodwill and good word have reason to concern themselves with the manner in which this country, in its future and expanded relations with Peking, holds fast to its obligations to Taiwan.

That said, it needs to be quickly added that there is a compelling logic to what President Carter has done to establish full diplomatic relations between Peking and Washington. This is basically what was contemplated when President Nixon made the first big breakthrough in 1972 and President Ford followed it up with his own visit to Peking. The only questions were when, on what terms, and to what purpose? So we begin with: Why now? And the answer seems to be that, from Jimmy Carter's point of view, an improved opportunity was there. He had let it be known last year that he was ready to proceed. But only in the past few months did it become apparent that authority in China seemed to be passing into the hands of a more outward-looking leadership, willing to modify its harsh terms vis-a-vis Taiwan in return for a rich variety of relationships with the West.

And so, in hard bargaining over the past few weeks, a deal was struck. On the issue of Taiwan, Peking's concessions may not look impressive. The United States will "termi-

nate" relations at the end of a year in accordance with a treaty provision, rather than abrogate the treaty. There is provision for American arms transfers, even after the termination of official relations. Cultural, commercial and even consular relations would be continued under legislation that the administration will send to Congress next year. And there is at least some sort of implicit acknowledgment on the part of Peking that the United States, while accepting that the resolution of the Taiwan issue is to be an internal concern of the People's Republic, does not expect that the jurisdictional question will be resolved by force.

The value of vitality of any of these conditions and terms depends, of course, on what it is the Chinese really want — and how badly they want it. The calculation the president clearly made was that the People's Republic is serious about its new desire for strengthened economic and political relations with the West in general and the United States in particular. And if this is so, it would seem to follow that Peking will not deal with Taiwan in a way that must know would jeopardize these expanded relations. Mr. Carter must also have obviously calculated that a strengthened bilateral relationship with the Chinese would be an extremely useful element in his dealings with the Soviet Union.

It is a gamble, and not just in highly complex geopolitical terms. It is also a very big gamble in domestic political terms, at a time when there is considerable anxiety, and not just on the far right, about Jimmy Carter's handling of SALT negotiations and his capacity to manage a SALT-2 agreement. So this took some political courage as well as adroit diplomacy on Mr. Carter's part. Time will tell whether it pays off.

—THE WASHINGTON POST.

Patience, and Trust, in Mideast

Egypt and Israel have lost an intangible part of their historic peace by failing to sign a treaty before today, as they agreed at Camp David to try to do. Their hitherto patient broker, President Carter, is justly annoyed. Unjustly, he blames only Israel.

All that is left in dispute are a few largely semantic and symbolic points. Israel could well yield on all of them without significantly altering the shape of the peace at hand. But so could Egypt. And the obviously desirable final compromise will be more difficult as long as the United States stands with one side. Indeed, this treaty will survive the inevitable disputes of interpretation only so long as the American president is trusted by both sides as an impartial court of last resort. No momentary frustration should be allowed to diminish that trust.

Everything now seems to turn on a single question: When, and under what conditions, will the first Egyptian ambassador arrive in Israel?

Trivial, perhaps, the treaty in any case binds Egypt to establish diplomatic relations with Israel as soon as the first stage of Israel's withdrawal in the Sinai is completed — in less than a year. Ambassadors come and go rather freely as diplomatic relations warm and cool; the envoy here in dispute could be withdrawn the day after he presents credentials. But President Sadat now asks a treaty right to withhold this last symbol of peace if Israel fails to meet a target date for Palestinian self-rule in the West Bank and Gaza. He wants, in short, a tangible link between the Egyptian-Israeli peace terms and the pace of negotiations that will vitally depend also on Jordan and the Palestinians.

A suspicion that Israel may drag its heels in future West Bank negotiations is not unreasonable. But neither is the Israeli suspicion that the peace proffered by Sadat will disappear as soon as Egypt regains the Sinai, or if Jordan and the Palestinians fail to nego-

tiate in good faith. What would Sadat and his White House friends be saying if Israel had demanded a right to retain just a few miles of Sinai desert until a West Bank deal is reached? The strain of trading hard-won territory for an easily altered declaration of peace is hard enough for the Israelis without this added psychological pressure. Camp David envisioned Israel's exchanging every inch of Egyptian territory for a full measure of peace. It is wrong to tamper with the yardstick now.

The only other serious argument applies to the treaty's Article 6, which pledges the parties to observe this treaty irrespective of other obligations. Foreign Minister Dayan foolishly boasted that this overrode Egypt's defense arrangements with other Arab nations, and Sadat felt obliged to demand assurances that he retained a right to collective defense.

What good is a peace treaty, ask the Israelis, if it leaves Egypt free to invoke a military obligation to allies still at war with them? The answer, of course, lies in the future. Whether the Arab League has been permanently split and whether Egypt will ever again join in battles against Israel cannot be decided by this treaty. But ratifying the treaty is the best way to keep Egypt moving along a peaceful course. On this point, the Israelis will surely yield if they are approached more sympathetically than they were last week.

Time counts enormously in the pursuit of these final details. The treaty is studded with other target dates and the failure to meet the very first, for its signing, is a serious setback. But Egypt and Israel have already paid the political price for this agreement; they must be eager to realize its benefits. It was President Carter's fairness and patience that brought peace so near; he ought to recover them fast.

—THE NEW YORK TIMES.

International Opinion

U.S.-China Ties

The setting up of diplomatic relations between America and China is an event of immense significance and hope for the world. The suspicion, hostility and, on occasion, near war between these two great countries was a constant menace to peace for almost three decades. A growing partnership between China and America and the other nations of the West would create a balance of power that the ambitious monolith of the Kremlin would not dare to disturb.

The American name on the agreement will be that of President Jimmy Carter. The world

owes him a debt of gratitude. But should not someone else be remembered? In 1972 another American president risked unpopularity and hostility within his own party and embarked on a momentous, courageous visit to China. The same man has since been disgraced. Wherever he goes, there are crowds of demonstrators to scream insults. But long after the shame of Watergate is forgotten it might well be that Richard Milhous Nixon will be remembered as a leader who did more for peace and understanding than any other American statesman of the century.

—From the Sunday Express (London).

In the International Edition

Seventy-Five Years Ago

December 18, 1903

NEW YORK — The New York Herald commented in an editorial: "Now that doctors have discovered that the brain can get tired just like any other bodily organ, we expect certain people to say that they are right in following their emotions, and not thinking so much. Well, we must not blame the poor brain for everything, even for too deep thought. No one has been known to have been hurt by thinking too profoundly — except for a certain class of politicians — while on the contrary countless numbers have been benefited when the thought was worth anything."

Fifty Years Ago

December 18, 1928

LONDON — With all direct communications with Kabul, capital of Afghanistan, cut off, reports coming from the beleaguered city indicate an increasing intensity in the uprising against King Amanullah, which is endangering his life and the lives of foreign residents. The rebels, who are protesting the king's Western innovations in this remote kingdom, have forced the king and queen to take refuge in a fort in Kabul. The rebels also have surrounded several outposts of loyal governmental troops. All negotiations have ended as the revolution engenders its own momentum.



Recession: It Isn't Inevitable

By Joseph Kraft

WASHINGTON — On the economic front, the administration had a relatively little noticed but stunningly good piece of news last week. An unexpected rise in retail sales figures confirmed the view of the president's advisers that the recovery is still moving along briskly and that a recession is not yet in sight.

Mr. Carter's advisers have been predicting that the final quarter of this year would show a rise in overall economic activity of about 3.5 percent. They have based that view on a wide variety of indicators. Their confidence has been strongly fortified by the continuing rise in employment — up by 375,000 jobs in October and by nearly half a million jobs in November.

Most private forecasters have seen growth in the final quarter below 3 percent, with a recession sure for 1979. Those pessimistic views have found support in industry's conservative plans for future investment. The Commerce Department, on Dec. 7, released its survey of planned spending for plant and equipment in the first half of next year. That usually reliable report projected an increase of only 8 percent — which, when correction is made for inflation, amounts to a standstill.

In those uncertain conditions, government economists looked nervously to the retail sales figures that came out last Tuesday. A drop, which many feared, would show that while employment was surging and production on the rise, goods were merely piling up on shelves. That accumulation of inventory in the face of consumer resistance is one sure signal of recession to come.

As it happened, however, the retail sales figures exceeded expectations. November sales were up 2 percent over the previous month and 11 percent over the past year.

The figure for sales in October was revised upward from a drop of one-half a percentage point to an increase of 1.3 percent.

On the strength of that showing, the president's Council of Econ-

omic Advisers expects that the present quarter will show a rise in gross national product of about 4 percent. The council figures that sales will generate new orders and force more capital spending than business now plans. Accordingly the council does not project a recession — at least as measured by the conventional definition of two successive quarters of no growth — the next year.

Budget Battle

That fair prospect puts the president on high ground in the battle of the budget. If, as he pledged, Mr. Carter is to drive the deficit in the coming budget below \$30 billion, big cuts will have to be made in projected spending on programs for health, welfare and new jobs. A continuing rise in employment, however, makes it that much easier for the president to enforce, and for the departments to accept, and for the Congress to ratify decreased social spending.

More sales and more jobs, of course, also herald more inflation. The present rate — about 9 percent annually — is already very high. To hold it down, moreover, the Federal Reserve Board has pushed up the prime interest rate to 11.5 percent — just short of the 12 percent record of 1974.

Further increases in interest rates would surely have an adverse effect on housing and other items bought on credit. Combined with cuts in federal spending, additional interest rate increases could bring on a recession.

Chairman William Miller of the Fed has signaled very clearly that — unlike some of his colleagues on the board — he would not welcome a recession to cool off the economy. But even he will have to go for higher rates, unless he sees other signs of restraint in the economy.

The great hope in that respect lies with the wage-price guidelines. The administration developed the guidelines as a way to prevent labor and industry from getting together on new wage contracts bound to kick prices even higher. The theory was that if wages could be held to

the 7 percent level, prices would rise less than 6 percent and inflation would gradually tail off.

The theory comes up for a test in negotiations now under way for a new Teamsters contract. Nobody can foretell the outcome. But the industry clearly does not want a strike. The union has important bargaining power. So the administration will have to press hard for observance of the guidelines if it wants to deal Chairman Miller the cards he needs to persuade his colleagues on the Fed against the further rise in interest rates apt to bring on the recession that is not truly inevitable.

No Happy New Year for Carter

By James Reston

WASHINGTON — Jimmy Carter, if he's lucky, may have a Merry Christmas, but he is clearly not going to have a Happy New Year. By his recognition of Communist China, he has guaranteed himself the most formidable assortment of political opponents at home and abroad since Franklin Roosevelt.

At home, his 1979 budget, with its emphasis on austerity, has troubled the Democratic liberals, the labor union leaders, the big-city mayors, and the blacks — without consulting the bankers, the real estate dealers and other big-business operators, who are not amused by current high interest rates and double-digit inflation.

Trouble Abroad

Abroad, he seems to be in even more serious trouble. After all his efforts to produce a compromise in the Middle East, the Israelis are sore at him and vice versa, and President Sadat of Egypt is disappointed in him for continuing to finance an Israeli policy Carter does not really believe in.

His allies in Europe wonder about his intelligence services. Why was Washington surprised by the pro-Communist political switch in Afghanistan, and particularly by the dramatic religious revolution against the shah in Iran? Also, the allies ask, why was Carter so "soft" in dealing with the Communist military intrusion into Ethiopia and the Horn of Africa — so important to the defense of the West — while he was so bold in sending Secretary Blumenthal to Romania to defy the Soviets in a conflict Washington had no will or power to sustain?

In short, he is constantly surprising people by his suddenness and by the timing of his decisions. He did not merely play "the China card," but under pressure from Ted Hsiangping, he showed the whole deck of cards on the table just when the Russians were shuffling their hand. This is likely to produce quite an exciting game next time around. But Carter still has a few aces up his sleeve.

Sen. Barry Goldwater may condemn the normalization of relations with China as "a cowardly act," but the influence of the pro-Taiwan "China lobby" has waned. The Goldwaters will argue the "ethics" of the China dilemma, but it is hard to oppose the mathematics of "recognizing" 800 million people rather than the 17 million on Taiwan. And there is no indication that the Goldwaters can carry the Republican Party with them on this issue.

As the new government in Peking comes out of isolation and

False Arguments On Southern Africa

By Stanley Hoffmann

CAMBRIDGE, Mass. — Big guns are firing at the Carter administration's policy in southern Africa. We are being told that it embraces radical forces instead of creating moderate alternatives and that it plays into the hands of the Russians and Cubans, who are arming the radicals. The administration, the critics say, foments war between blacks and whites and fails to stand up to the Reds.

These arguments are false. In Rhodesia and Namibia (South-West Africa), the policy consists not in backing one side against the other but in advocating peaceful solutions based on elections in which all factions would participate, and on negotiations between forces that support the solutions advocated by Prime Minister Ian Smith and the South Africans and groups that have so far rejected these proposals as disguised for the perpetuation of white rule. Those who would like the United States to endorse Mr. Smith's internal settlement in Rhodesia are the ones who would force it to take sides.

To support the internal settlement to yield to South Africa's maneuvers in Namibia, to suggest to the South African regime that the United States would do no more than denounce apartheid verbally in exchange for its cooperation toward "moderate" solutions in Rhodesia and Namibia, would be morally wrong and politically disastrous. To be sure, most black African regimes are not exemplary (violations of human rights being no less characteristic of "moderate" than of "radical" regimes). But their flaws or crimes in no way justify the continuing imposition of white-minority rule, open and repressive, as in South Africa, or directly perpetuated in Rhodesia or Namibia.

Double Mistake

For the United States automatically to back all those who are fighting "radical" guerrilla or political forces that receive Soviet or Cuban support would be a double mistake. It would assume wrongly that the division between radicals and moderates cannot be bridged, whereas many leaders turn to Soviet support not out of ideological solidarity but for simple political self-interest. By misinterpreting African realities in the light of Cold War concerns, the United States would actually set the stage both for a race war (as well as civil war among blacks), with the United States on the wrong side, and for a military solution, with the United States obviously handicapped in aiding the white regimes, and the Russians and Cubans capable of presenting themselves as the champions of African aspirations for liberation and self-determination.

Henry Kissinger tells us that if we had succeeded in reversing the Cuban action in Angola, there

would be no Cubans elsewhere in Africa today. Maybe. But it was the U.S. decision to give military assistance to one Angolan faction, plus the fact of South African intervention on the same side, that provided the opening for the Cubans on the other. Defeating the Cubans would have required direct military involvement in the dubious cause, and would have alienated most black African states. The United States sought a test it could not win.

Folly assures failure but wisdom does not guarantee success. The chances of the Carter policy are uncertain. Is there still room for peaceful solutions? Blacks fighting against white rule have no great incentive to accept U.S. proposals unless Mr. Smith and Prime Minister P.W. Botha of South Africa show a willingness to accept the kind of settlement that they have refused so far.

This will require them to recognize that the only alternative to concession is disaster. Despite

cautions, this has not yet happened in Rhodesia. In the case of Namibia, and later in that of South Africa itself, it is unlikely to happen without stringent Western sanctions, which many Americans will resist. Meanwhile, opportunities for Soviet and Cuban influence persist. Once more we find that although the stakes are huge, our means are limited and the wisest course is narrow.

The critics' logic

And yet any other course would be worse. While the United States may fail, it would at least avoid antagonizing the black states, front line or not (like Nigeria), that have approved the present U.S. policy. Critics of the policy would like the United States both to press SALT and to be more alarmed about Soviet and Cuban penetration, as if the latter were not the result of the U.S. failure to press sufficiently hard earlier, in the days when Mr. Kissinger and Richard Nixon tilted toward the white regimes.

The critics' logic, if it were followed, would leave the United States with no other allies than handful of conservative African regimes (some of which are liabilities not because they are friends or conservatives but because of their internal condition) or the president of France (whose policy in southern Africa is, however, not so different from that of the United States and bearing the albatross of past and lasting connections with South Africa. Those who fear Soviet domination and want peaceful solutions should support the present course.

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Congress Prepares Reports

CIA Ties to Shah Blamed For Intelligence Failure

By Jim Hoagland

WASHINGTON, Dec. 17 (WP) — The Central Intelligence Agency's long and close ties to the Shah of Iran and his intelligence service effectively prevented the agency from giving the White House a clear warning that public unrest posed a major threat to the shah and for U.S. policy.

That conclusion emerges from a series of interviews with officials and analysts of the U.S. intelligence community, which has been shaken severely by White House criticism of its performance in Iran. Some of these officials also have been interviewed by House and Senate staff investigators, who are preparing reports on this intelligence failure.

Warnings originating in the State Department that the shah faced rising and dangerous popular opposition last summer were kept out of a draft national intelligence estimate because CIA and Defense Department analysts strongly disagreed with that view, congressional investigators have been told.

A CIA official said yesterday that CIA Director Stansfield Turner had returned the draft estimate on Iran to its agency authors twice "because he didn't think it was good enough." But the official was unable to say if Adm. Turner's objections involved the report's highly optimistic view of the shah's hold on power.

Other knowledgeable sources said that Adm. Turner had sent the now controversial estimate back for more information on military and other matters, but there were no clear indications at the time that he was unhappy with the political reporting.

The bureaucratic wrangling over the estimate, which was overtaken by the explosion of unrest in the streets of Tehran in September, is only part of a direct broader problem the CIA faces in trying to work in a country where it has an enormous investment in maintaining an autocratic ruler that it helped put in power.

"If we wanted information on the opposition leaders and on the military in Iran, we should have turned it into an unfriendly country," said one exasperated analyst. "Then we would have targeted them and developed sources. But we can't do much with opaque regimes headed by friendly authoritarian figures."

The political opposition and officer corps have been off-limits for years to the 50 to 75 agents the CIA maintains in Iran. The agency's professional intelligence on domestic Iranian developments has had to come largely from the shah's own secret police, SAVAK, which hardly could be expected to report that the shah was in trouble.

"If we had tried to penetrate the opposition, we would have been caught immediately by SAVAK," a CIA official said. "Iran is an ally. In England, we would not try to penetrate the opposition."

Hovering in the corners of the sharpening disputes over the Iran failure and U.S. choices for the future are ghosts from an era when the CIA quickly could mount covert operations to shore up or move aside agency allies who suddenly had become liabilities in their own countries.

Ngo Dinh Diem, the South Vietnamese dictator assassinated by his own troops in 1963 after President John Kennedy let his lack of confidence in Diem be known, is conjured up by U.S. policymakers who argue that the United States would

touch off disastrous turmoil by doing or saying anything to undercut Shah Mohammed Reza Pahlavi in a moment of crisis.

State Department officials argue that the real dangers lie in not disengaging faster. They raise the specters of Libya or Ethiopia, where radicals have swung sharply against the United States after overthrowing regimes with which the CIA had strong ties.

In any case, Iran is already a multilevel failure that is likely to haunt the agency for years. The agency has been deeply implanted in Iran since 1953, when Kermit Roosevelt and fewer than 30 U.S. and Iranian agents were able to mount an operation that brought down the leftist government of Mohammed Mossadegh and put the shah back on the throne.

The entire operation cost less than \$1 million, which the shah insisted on paying back, according to agency folklore. It is unclear that today the agency could produce anything approaching these results for any sum even if it were "unleashed."

While honoring the shah's wishes that they totally ignore Iranian developments, CIA personnel have been given free rein in gathering intelligence about the Soviet Union from Iran. The shah permits the United States to operate some of the world's most sophisticated listening and radar equipment on the Soviet border.

The fate of that equipment, should the shah fall suddenly, before it could be relocated, is a major worry for Carter-administration planners.

"The agency was absolutely accurate in its reporting throughout the year that the small radical terror groups represented no threat to the shah," said one U.S. intelligence official. "But those were the only opposition groups the agency was reporting on. There was zero in their analysis about the rightist Moslem opposition that was the real threat."

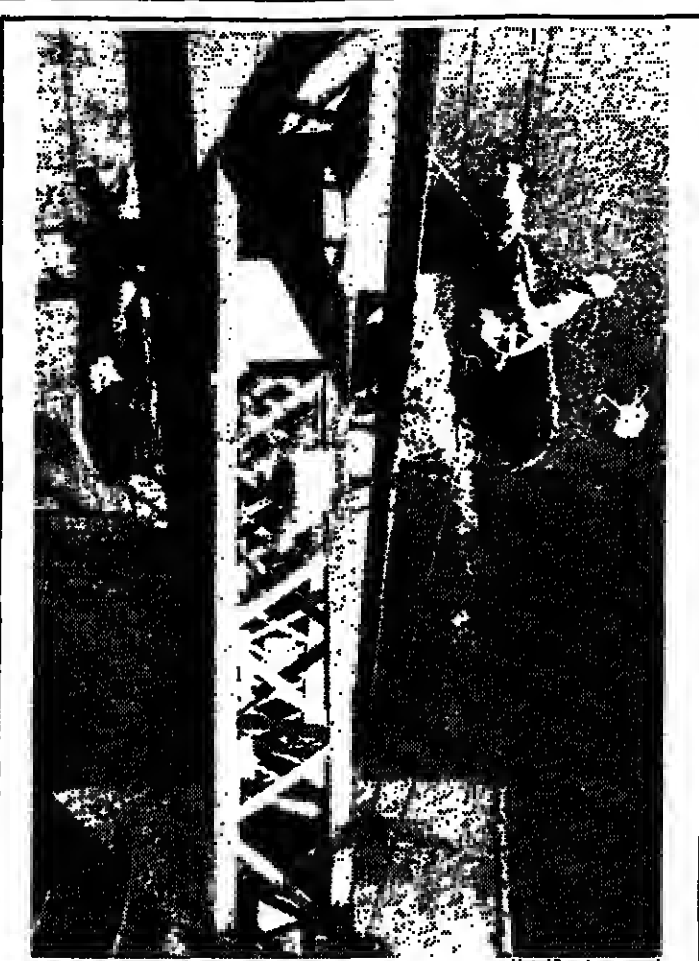
Urgent Request

This trend continued even as unrest intensified, and the White House sent an urgent request that a new national intelligence estimate on Iran already in progress be accelerated. The estimate is an authoritative summary prepared on request and jointly by the CIA, State, Defense, Treasury and other departments.

Adm. Turner appointed one of his intelligence officers to head the secret Iran project, which quickly produced a sharp and divisive dispute. State Department analysts, who argued that the opposition represented a serious threat to the shah were overruled in the writing of the draft by CIA and Defense analysts, who insisted that the report should conclude that while some unrest would continue, the shah's hold on power was completely secure.

The draft was sent to Adm. Turner excluded the dissent the State Department wanted in the document. While State was preparing its own paper on the subject and Adm. Turner was sending the draft back for rewriting twice, the public demonstrations against the shah escalated dramatically and "Iran became a day-to-day problem for us," a CIA official said. The estimate was shelved in October.

Portions of the first draft were published after a note from President Carter expressing unhappiness with intelligence reporting on Iran was leaked.



LOFTY JOB — Painters work on supports of New York's Queensboro Bridge perched 300 feet above the East River.

News Analysis

Washington Counterpoint Undercut Vance's Shuttle

By John M. Goshko

WASHINGTON, Dec. 17 (WP) — While Secretary of State Cyrus Vance undertook his Middle East mediating mission last week, he is known to have done so with reluctance and a feeling that he had only an outside chance of success.

Mr. Vance was keenly aware of the magnitude of the obstacles blocking a peace treaty between Egypt and Israel. But the record of his five-day shuttle effort suggests that the Carter administration, in its handling of a high-risk diplomatic situation, managed to make Mr. Vance's task all but impossible. As a result, Mr. Vance failed to break the deadlock in the negotiations in time for today's target date for a treaty, which had been set during the Camp David talks. He also left the region with U.S.-Israeli relations badly strained and the talks so stalled that no one can predict when and how they can be put back on the track.

Mr. Vance set out on the assumption that the situation required difficult and painful concessions from Israel. He first attempted to put them in as palatable a form as possible and then urged them on the Israelis in the manner of a doctor trying to coax a child into swallowing medicine.

Scuttled by Events

Yet, in an almost inexplicable counterpoint to Mr. Vance's conciliatory approach, events unfolded in Washington that had the effect of undercutting his efforts.

First, Senate Majority Leader Robert Byrd, D-W.Va., walked out of a meeting with President Carter to warn that future U.S. aid to Israel could be affected by Israeli policy on the question of establishing new settlements on the Israeli-occupied West Bank.

Then, Mr. Carter, in public remarks that were echoed by other White House officials, praised Egyptian President Anwar Sadat, while pointedly hinting, through his failure to mention Israeli Prime Minister Menachem Begin, that Washington was becoming impatient with Israel's failure to make concessions.

In terms of what Mr. Vance was trying to do in Jerusalem, the timing could not have been worse. It insured that the Israeli Cabinet would reject the proposals brought by Mr. Vance.

In fact, the Cabinet went even further, appending to its rejection a slam at "the attitude and interpretation of the United States government." By the time Mr. Vance returned home, Israeli leaders were charging that the United States had tilted openly toward Egypt and was no longer an impartial mediator.

U.S. Irritation Grows

The result has been a mute, but unmistakable, countering wave of irritation toward Israel by U.S. officials that includes charges about the Begin government deliberately misrepresenting Mr. Vance's proposals. In the midst of the recriminations, U.S. sources in Mr. Vance's party seemed unable to explain why Washington behaved with what some privately concede was clumsiness.

The sources admit that Mr. Vance went to Israel with a position that could be described as tilted toward Mr. Sadat's on the two key issues stalling the peace talks. One involves Egypt's demand that the treaty be accompanied by a timetable for separate negotiations on establishing Palestinian autonomy in the West Bank and Gaza Strip areas.

The other concerns Egypt's reluctance to accept an article in the draft treaty accepted by Israel that would give the accord precedence over Egypt's other treaties, including its mutual defense pacts with other Arab states.

In approaching these issues, the sources said, the United States concluded that Egypt required assistance on both demands to protect it from charges that it is ignoring

larger Arab interests to make a separate peace with Israel. In particular, the sources added, these issues are important to win support for the treaty from Saudi Arabia.

Negotiating Spur

In addition, the sources said, the United States also likes the idea of a West Bank-Gaza timetable because it feels the Israelis have not really faced up to the need to grant Palestinian autonomy. By linking the timetable to the treaty with Egypt, the sources said, Washington believes that Israel would be under greater pressure to negotiate the Palestinian issue quickly and in good faith.

However, Israel has resisted both Egyptian demands. On the Palestinian timetable question, the Israelis argue that the Camp David accords call for that issue to be negotiated separately and that Egyptian demands for linking it violate the accords and give Egypt a potential pretext for abrogating the peace treaty if the timetable is not met.

The Israelis apply the same objection to the dispute about the treaty's precedence. In the Israeli view, any suggestion that Egypt is not bound to remain at peace with Israel even in the event of an Israeli dispute with another Arab country would make the treaty meaningless.

In an effort to overcome these Israeli objections, Mr. Vance began his shuttle by spending three days in Cairo negotiating with Mr. Sadat to find ways of making the Egyptian demands more acceptable to Mr. Begin. Ultimately, they agreed on some U.S. suggestions for softening the Egyptian positions.

These included a proposal to express the timetable on Palestinian autonomy in terms of nonbinding target dates rather than fixed deadlines.

On the question of the treaty's precedence, Mr. Vance convinced Mr. Sadat to leave the treaty language unchanged and settle for an accompanying explanatory note stating a nation's right to self-defense under the United Nations charter.

Mr. Sadat also bled out for other concessions that the United States regards as minor and one additional piece of linkage that Mr. Vance knew would cause trouble in Israel. That involved an Egyptian insistence that, even after diplomatic relations with Israel are established, Mr. Sadat could delay sending an ambassador to Israel until Palestinian autonomy had been established in the occupied territories.

When Mr. Vance took these proposals to Israel, the U.S. sources said, he had no illusions that they would be accepted. But, they added, he hoped to coax the Israelis into giving ground on the lesser issues and to agree to negotiate on the timetable and treaty precedence questions.

However, the sources said, hope faded as Mr. Vance arrived in Jerusalem to find the Israelis in an uproar over the Byrd statement, which had just been made in Washington.

Despite a hurried State Department effort to dissociate the executive branch from Sen. Byrd's remarks, Mr. Vance was greeted by charges of "U.S. blackmail" and a stiffening of the Israeli conviction that he had come, as one source put it, "to ram Sadat's proposals down their throats."

Police in S. Africa

Probe Rail Sabotage

JOHANNESBURG, Dec. 17 (AP) — South African police were investigating today the sabotage of a main railroad track between here and the Indian Ocean resort town of East London.

The track was cut by an explosion yesterday, delaying three passenger trains eight hours.

Obituaries

Chill Wills, Veteran Actor in Westerns

NEW YORK, Dec. 17 (NYT) — Chill Wills, 76, the raspy-voiced character actor who appeared in hundreds of Westerns and other movies and who was the voice of Francis, the talking mule of the comedy series, died Friday at his home in Encino, Calif. He had been suffering from cancer.

Mr. Wills left the Motion Picture and Television Hospital earlier in the day to return home. Friends reported that he died in his sleep. Mr. Wills began his career in the late 1930s in "Lawless Valley." Two years later as the tall, lanky deputy sheriff in "Boom Town," a

film that included Clark Gable, Spencer Tracy, Claudette Colbert and Hedy Lamarr, Mr. Wills was a standout.

In addition to the "Francis" films, he appeared in featured roles in "The Westerner," "Western Union," "See Here," "Private Hargrove," "The Yearling," "The Sundowners," "Tarzan's New York Adventure," "Giant," "From Hell to Texas," "The Alamo" and even musicals such as "Meet Me in St. Louis" and "The Harvey Girls." The 1930s, 1940s and the 1950s saw Hollywood in its heyday, and Mr. Wills appeared in movies with

the brightest stars: Walter Pidgeon, Wallace Beery, Gary Cooper, Robert Taylor, Lucille Ball, Charles Laughton, Joseph Cotten, Shirley Temple, Angela Lansbury, Gregory Peck, John Wayne and others.

Low-Budget Success

Mr. Wills achieved fame as the wry, disenchanted voice of the talking mule. The low-budget motion pictures that began with "Francis" in 1949 were highly successful. Mr. Wills was given a script, but by the third or fourth "Francis" film, more than one-third of what the mule said was Mr. Wills' own words.

Chill Theodore Wills was born in Seagoville, Texas. Chill was his real name. Mr. Wills was, as he said, "brung up" in medicine shows, minstrel shows, burlesque, vaudeville and nightclubs. He joined a professional singing group in Burkburnett, Texas, the community of "Boom Town," and later began to spice his singing act with monologues. Then he moved on to acting in stock companies in the Middle West.

"Vaudeville houses began closing so fast," he said later, "I got afraid I'd get locked in one, so I left and went into nightclubs." In one club, the Trocadero in Hollywood, he was seen by a movie executive and offered a screen test and then a job.

When they learned he was from Texas, he was told, "Any flesh from Texas is a cowboy," and he was a Western standard from then on.

Mr. Wills also appeared in two television series, "Frontier Circus" in 1961 and "The Rounders" in 1967. He owned several business enterprises, including a chain of restaurants and a chili manufacturing business.

J. Fred Buzhardt

HILTON HEAD ISLAND, S.C., Dec. 17 (UPI) — J. Fred Buzhardt, 55, who managed most of former President Richard Nixon's Watergate defense, died yesterday of a heart attack.

Mr. Buzhardt was stricken about

14 Children Injured

In Israel Explosion

JERUSALEM, Dec. 17 (AP) — Fourteen elementary-school children were injured today when a barrel of tar exploded in a Jerusalem schoolyard. Israeli radio said the explosion came after the tar caught fire while workmen heated it.

Five of the children were hospitalized in fair condition with second- and third-degree burns to their hands and faces.



Chill Wills

9 a.m. at his home on Hilton Head Island, a resort community near Savannah, Ga.

Mr. Buzhardt suffered a mild heart attack before the Watergate issue was resolved and turned defense duties over to James St. Clair, a Boston attorney.

Mr. Buzhardt, a native of McCormick, S.C., and a graduate of West Point, was in public service for more than 20 years and during that time served as an aide to Sen. Strom Thurmond, R-S.C., and as chief aide to former Defense Secretary Melvin Laird.

Cardinal Joseph Frings

COLOGNE, Dec. 17 (AP) — Cardinal Joseph Frings, 91, archbishop of Cologne from 1942 to 1969, died here of heart failure today, his office said.

Cardinal Frings and Konrad Adenauer, West Germany's first chancellor, were the dominant figures in the public life of the city for decades. Their relationship remained close until Adenauer's death in 1967.

Cardinal Frings was born in nearby Neuss on Feb. 6, 1887. He studied theology at the University of Innsbruck and continued his studies at Freiburg and Bonn before he was ordained in the Cologne suburb of Zollstock.

He succeeded Cardinal Joseph Schulte as archbishop of Cologne on May 12, 1942. In 1946, he was made a cardinal.

Cardinal Frings, an ardent anti-Communist, caused controversy with a speech in 1948 in which he demanded that denazification by the Allied governments should cease. But although he was strongly criticized for this, his welfare work was recognized in Rome and he was called upon to take charge of aiding Germany's refugees.

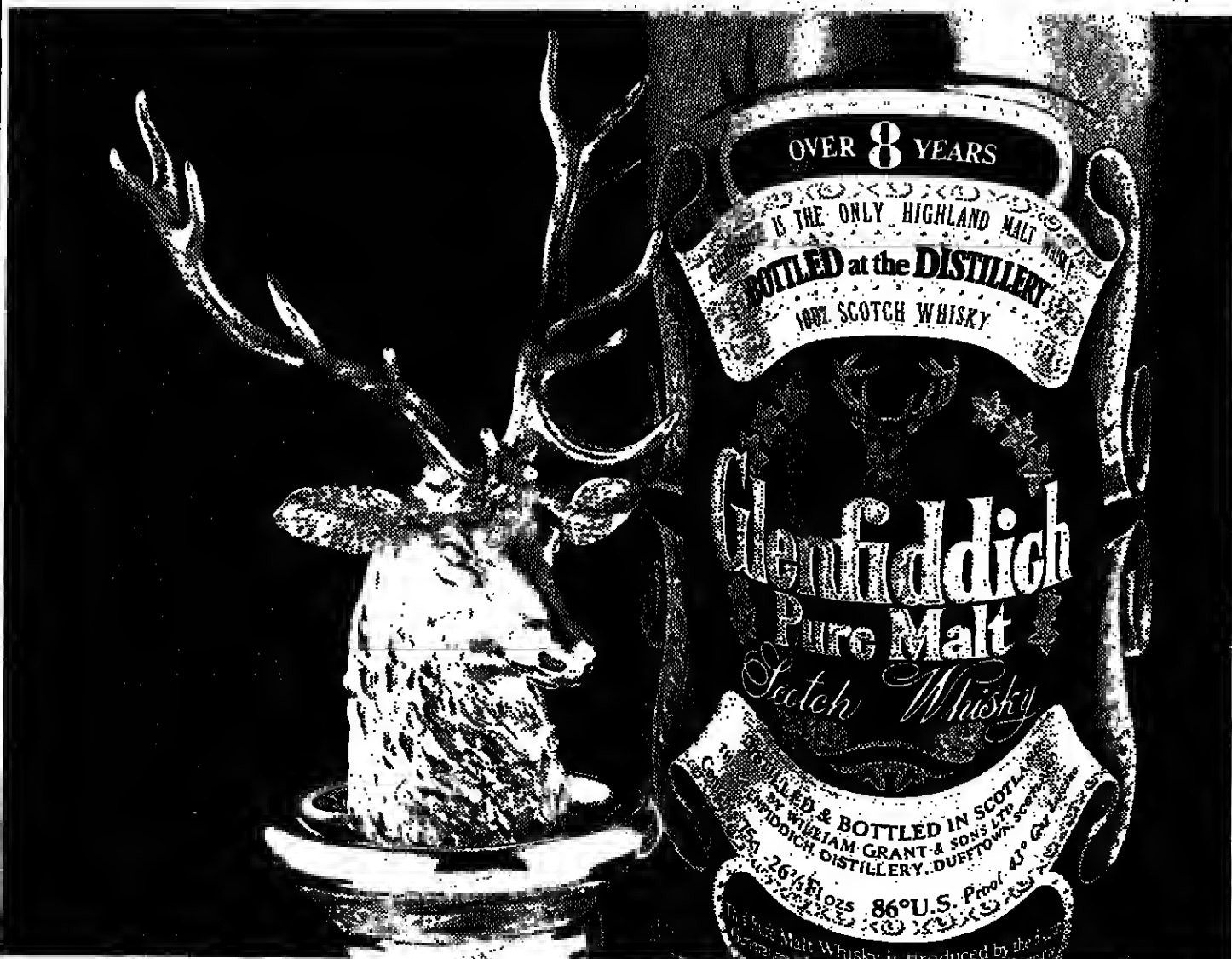
In November, 1948, Cardinal Frings joined Adenauer's Christian Democratic Party, a step he had to reverse in May of the following year because Article 32 of the concordat between state and church calls on all German priests to refrain from joining political parties.

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New York Stock Exchange Weekly Bond Sales

New York Stock Exchange Weekly Bond Sales

Bonds	Last Price	Bonds	Last Price	Bonds	Last Price	Bonds	Last Price
NEW YORK (AP)—		INTB 745827	88.24	ALIC 63291	88	ADSL 64656	72.58
The following auction,		INTB 745828	88.24	ALIC 63292	88	ADSL 64657	72.58
supplied by the		INTB 745829	88.24	ALIC 63293	88	ADSL 64658	72.58
National Association of		INTB 745830	88.24	ALIC 63294	88	ADSL 64659	72.58
Securities Dealers, Inc.,		INTB 745831	88.24	ALIC 63295	88	ADSL 64660	72.58
are the prices of which		INTB 745832	88.24	ALIC 63296	88	ADSL 64661	72.58
these securities could		INTB 745833	88.24	ALIC 63297	88	ADSL 64662	72.58
have been sold (Net Add		INTB 745834	88.24	ALIC 63298	88	ADSL 64663	72.58
Value) at 10:00 a.m.		INTB 745835	88.24	ALIC 63299	88	ADSL 64664	72.58
(value plus		INTB 745836	88.24	ALIC 63300	88	ADSL 64665	72.58
commission Friday).		INTB 745837	88.24	ALIC 63301	88	ADSL 64666	72.58

Bonds	Last Price	Bonds	Last Price	Bonds	Last Price	Bonds	Last Price
INTB 745838	88.24	ALIC 63302	88	ADSL 64667	72.58	INTB 745839	88.24
INTB 745839	88.24	ALIC 63303	88	ADSL 64668	72.58	INTB 745840	88.24
INTB 745840	88.24	ALIC 63304	88	ADSL 64669	72.58	INTB 745841	88.24
INTB 745841	88.24	ALIC 63305	88	ADSL 64670	72.58	INTB 745842	88.24
INTB 745842	88.24	ALIC 63306	88	ADSL 64671	72.58	INTB 745843	88.24
INTB 745843	88.24	ALIC 63307	88	ADSL 64672	72.58	INTB 745844	88.24
INTB 745844	88.24	ALIC 63308	88	ADSL 64673	72.58	INTB 745845	88.24
INTB 745845	88.24	ALIC 63309	88	ADSL 64674	72.58	INTB 745846	88.24
INTB 745846	88.24	ALIC 63310	88	ADSL 64675	72.58	INTB 745847	88.24
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INTB 745853	88.24	ALIC 63317	88	ADSL 64682	72.58	INTB 745854	88.24
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INTB 745858	88.24	ALIC 63322	88	ADSL 64687	72.58	INTB 745859	88.24
INTB 745859	88.24	ALIC 63323	88	ADSL 64688	72.58	INTB 745860	88.24
INTB 745860	88.24	ALIC 63324	88	ADSL 64689	72.58		

Bonds	Last Price	Bonds	Last Price	Bonds	Last Price	Bonds	Last Price
INTB 745861	88.24	ALIC 63325	88	ADSL 64690	72.58	INTB 745862	88.24
INTB 745862	88.24	ALIC 63326	88	ADSL 64691	72.58	INTB 745863	88.24
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INTB 745873	88.24	ALIC 63337	88	ADSL 64702	72.58	INTB 745874	88.24
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INTB 745878	88.24	ALIC 63342	88	ADSL 64707	72.58	INTB 745879	88.24
INTB 745879	88.24	ALIC 63343	88	ADSL 64708	72.58	INTB 745880	88.24
INTB 745880	88.24	ALIC 63344	88	ADSL 64709	72.58		



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INTB 745881	88.24	ALIC 63345	88	ADSL 64710	72.58	INTB 745882	88.24
INTB 745882	88.24	ALIC 63346	88	ADSL 64711	72.58	INTB 745883	88.24
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INTB 745884	88.24	ALIC 63348	88	ADSL 64713	72.58	INTB 745885	88.24
INTB 745885	88.24	ALIC 63349	88	ADSL 64714	72.58	INTB 745886	88.24
INTB 745886	88.24	ALIC 63350	88	ADSL 64715	72.58	INTB 745887	88.24
INTB 745887	88.24	ALIC 63351	88	ADSL 64716	72.58	INTB 745888	88.24
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INTB 745892	88.24	ALIC 63356	88	ADSL 64721	72.58	INTB 745893	88.24
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INTB 745896	88.24	ALIC 63360	88	ADSL 64725	72.58	INTB 745897	88.24
INTB 745897	88.24	ALIC 63361	88	ADSL 64726	72.58	INTB 745898	88.24
INTB 745898	88.24	ALIC 63362	88	ADSL 64727	72.58	INTB 745899	88.24
INTB 745899	88.24	ALIC 63363	88	ADSL 64728	72.58	INTB 745900	88.24
INTB 745900	88.24	ALIC 63364	88	ADSL 64729	72.58		

Bonds	Last Price	Bonds	Last Price	Bonds	Last Price	Bonds	Last Price
INTB 745901	88.24	ALIC 63365	88	ADSL 64730	72.58	INTB 745902	88.24
INTB 745902	88.24	ALIC 63366	88	ADSL 64731	72.58	INTB 745903	88.24
INTB 745903	88.24	ALIC 63367	88	ADSL 64732	72.58	INTB 745904	88.24
INTB 745904	88.24	ALIC 63368	88	ADSL 64733	72.58	INTB 745905	88.24
INTB 745905	88.24	ALIC 63369	88	ADSL 64734	72.58	INTB 745906	88.24
INTB 745906	88.24	ALIC 63370	88	ADSL 64735	72.58	INTB 745907	88.24
INTB 745907	88.24	ALIC 63371	88	ADSL 64736	72.58	INTB 745908	88.24
INTB 745908	88.24	ALIC 63372	88	ADSL 64737	72.58	INTB 745909	88.24
INTB 745909	88.24	ALIC 63373	88	ADSL 64738	72.58	INTB 745910	88.24
INTB 745910	88.24	ALIC 63374	88	ADSL 64739	72.58	INTB 745911	88.24
INTB 745911	88.24	ALIC 63375	88	ADSL 64740	72.58	INTB 745912	88.24
INTB 745912	88.24	ALIC 63376	88	ADSL 64741	72.58	INTB 745913	88.24
INTB 745913	88.24	ALIC 63377	88	ADSL 64742	72.58	INTB 745914	88.24
INTB 745914	88.24	ALIC 63378	88	ADSL 64743	72.58	INTB 745915	88.24
INTB 745915	88.24	ALIC 63379	88	ADSL 64744	72.58	INTB 745916	88.24
INTB 745916	88.24	ALIC 63380	88	ADSL 64745	72.58	INTB 745917	88.24
INTB 745917	88.24	ALIC 63381	88	ADSL 64746	72.58	INTB 745918	88.24
INTB 745918	88.24	ALIC 63382	88	ADSL 64747	72.58	INTB 745919	88.24
INTB 745919	88.24	ALIC 63383	88	ADSL 64748	72.58	INTB 745920	88.24
INTB 745920	88.24	ALIC 63384	88	ADSL 64749	72.58		

(Continued on Page 9)

NYSE Averages

(Continued on Page 9)

NYSE Average

Week Ended December 15, 1971			
	High	Low	Close
Real Estate	59.34	58.22	58.22
Rep. & Comm.	43.77	42.16	40.60
Securities	38.56	38.81	38.81
Price	56.71	55.68	55.68
Profits	54.31	53.31	53.31
Standard & Poor's			
Indust.	107.87	105.93	105.93
Transp.	13.47	12.93	12.93
Util.	50.17	49.26	49.26
Finance	11.57	11.57	11.57
Stocks	97.11	95.33	95.33
Dow Jones			
Indust.	817.65	805.26	805.26
Transp.	216.44	209.25	209.25

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Banque Intercontinentale Arabe	Banque Nationale de Paris
Banque de Paris et des Pays-Bas (Bahrain Offshore Branch)	Blyth Eastman Dillon & Co. International Limited
Citicorp International Group	Libyan Arab Foreign Bank
National Bank of Abu Dhabi	The National Bank of Kuwait S.A.K.
Orion Bank Limited	J. Henry Schroder & Co. S.A.L.

Alahli Bank of Kuwait (K.S.C.)	Albank Alsaudi Alhollandi	Algemene Bank Nederland N.V. (Bahrain Branch)
Al Saudi Banque	Arab African International Bank—Cairo	Arab Bank Limited (O.B.U.)—Bahrain
Arab Finance Corporation S.A.L.	Arab Investment for Asia (Kuwait) K.S.C.	Bayerische Vereinsbank International S.A.
Arab-Malaysian Development Bank Berhad	Burgian Bank S.A.K. Byblos Arab Finance Bank (Belgium) S.A.	Euroseas Banking Company (Qatar) Ltd.
Financial Group of Kuwait K.S.C.	The Industrial Bank of Kuwait K.S.C.	Kuwait International Finance Co. S.A.K. "KIFCO"
Kuwait Financial Centre S.A.K.	Manufacturers Hanover Limited	The National Commercial Bank (Saudi Arabia)
Nederlandse Credietbank N.V.	Salomon Brothers International	Wood Gundy Limited
Union de Banques Arabes et Européennes S.A. (U.B.A.E.)		

All of these securities having been sold, this announcement appears as a matter of record only.
 December 4, 1978

NEW ISSUE

\$75,000,000

ITEL
CORPORATION

10½% SINKING FUND DEBENTURES DUE 1998

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Incorporated

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A Special Report



INTERNATIONAL
Herald Tribune
Published with The New York Times and The Washington Post
PARIS, DECEMBER, 1978

Singapore — 1978

A Functioning Democracy Ruled by One Man

The Economy

Growth Prospects Judged To Be 'More Than Fair'

By Peter Wintraub

SINGAPORE (IHT) — When Prime Minister Lee Kuan Yew characterized growth prospects for the next five years as "more than fair" in his national message in August, it appeared that at long last Singapore's leaders had started to believe in the economic miracle wrought here in the 13 years since independence.

Few could question their confidence. The gross domestic product for 1978 looks almost certain to achieve a solid 8-percent rate of growth over the previous year. Foreign investment commitments for the first half of the year exceeded the 1977 total. Inflation was kept at a manageable annual rate of 5 percent, and the danger of any significant increase is so slight as to be almost nonexistent.

The government and business leaders alike share the view that the Singapore economy has weathered the storm of the mid-70s recession very well and that the promise for the future is bright. Singapore may no longer be Asia's economic wonder, but it has proven that it can cope with the adversity of worldwide economic dislocation and compete successfully with the other dynamic economies of the region.

Exports

Most of that competition comes in related areas of attracting foreign investment and promoting exports. In a recent speech before the 26th World Congress of the International Chamber of Commerce in Florida, Mr. Lee stated bluntly that the leading role of multinational corporations in Singapore had been a key to its economic success. But he warned that unless the trend towards protectionism in the industrialized countries was checked, his own country could suffer.

For the foreseeable future, Singa-

pore's attractiveness to foreign investors appears likely to remain an object of envy for other developing countries in the region. A recent survey by Business International of New York placed this city-state first worldwide as an investment site, on the basis of its skilled and disciplined work force and its highly developed transportation and communications infrastructure.

The export picture is clouded. Rising protectionism in major markets such as the United States and the European Economic Community has forced Singapore to swing away from the manufacture of traditional textile and light industrial goods. As a result, the powerful Economic Development Board adopted a strategy of encouraging foreign investment only in the areas of high technology still free from tariff restrictions.

Partially as a result of such restrictions, Singapore's trade deficit continues to mount in 1978. For the first two-thirds of the year, the trade balance was some \$4 billion (nearly U.S.\$2 billion) in the red, compared to \$3 billion for the same period in 1977. Some of the gap was prompted by the rising value of the yen, which made imports from Japan more expensive, and a decline in traditional exports of such Malaysian goods as rubber products and palm oil.

Japan passed Malaysia and the United States in 1977 to become Singapore's leading trade partner, and it retained that position in the first months of 1978. Like many developing countries in East and Southeast Asia, Singapore looked toward West Asia as a rapidly expanding market for its manufactured exports and, at the same time, made fresh efforts to cultivate markets in India.

Investment payments brought almost \$5 billion into the national treasury last year.

(Continued on Page 2)

By Harold Ellithorpe

SINGAPORE (IHT) — This nation is a fully functioning democracy, a somewhat rare creation in Asia. It has a freely — and fairly — elected Parliament, a government untainted by corruption, rule by law through an independent judiciary and freedom of speech, press and religion. Yet it is a strangely repressive state where 75 percent of the voters handed every seat in Parliament to a party admittedly dominated by one man.

Political life in Singapore begins and ends with Prime Minister Lee Kuan Yew. As one wag put it, "Singapore is a benevolent democracy ruled by a dictatorial liberal."

In the December, 1976, elections, Mr. Lee's People's Action Party (PAP) won all of the 69 parliamentary seats. For the fifth time, PAP was returned with overwhelming popular support. Five opposing parties and two independents failed to score even a protest vote of significance.

Mr. Lee's popularity at the polls is strange, for nearly every Singaporean one talks to in private admits that the prime minister is a leader more feared than loved. He is returned at the polls not for his political fearlessness, but because of what he has achieved for the average citizen.

Mr. Lee's achievements are evident to everyone in Singapore. Each citizen's share of the small city-state's prosperity has risen since Mr. Lee took over in 1960.

More than 60 percent of the people live in spacious government housing estates that are models of public housing in Asia. Real wages have risen substantially, second in Asia only to Japan. The economy has expanded at a steady clip — 7.8 percent last year in real terms. Education is universal. Social services are the best in Asia. Streets are clean, crime is controlled, officials and policemen are honest.

More importantly, multi-racial Singapore enjoys political and communal peace.

The prime minister himself dates the start of Singapore's political matu-

...a nation
that has been
created in
his mind's eye...

Prime Minister
Lee Kuan Yew



ration from 1961, when there was an all-out battle between Communist and non-Communist labor unions and political parties for the allegiance of Singaporean workers. That fight broke a United Front agreement between Democratic Socialists and the Communists. In the struggle, which Mr. Lee is fond of recalling to younger Singaporeans as a time of greatness and testing, PAP and the National Trade Union Congress (NTUC) emerged victorious with Mr. Lee as their general.

Communist influence in Singapore was destroyed and remains destroyed by the winners of that battle. Today, several dozen detainees languish in Changi prison, held under detention-without-trial laws.

The government does not reveal the exact numbers under such detention, but estimates run from "around 30" to "somewhat over 70." A few have been jailed without trial for more than 12 years, a fact that led Amnesty International to issue a blistering report on Singapore's detention system in February, 1976.

The government claims that detainees merely have to forego the use of violence and attempts to overthrow the elected government in order to be freed. Indeed, persons who have made such declarations have been freed, given responsible jobs and have even formed their own association, which strongly supports Mr. Lee.

Most detainees are alleged Communists or members of Chinese secret societies with suspected international criminal connections. Their detention stands as a warning to outsiders such as members of the Communist Party of Malaysia (CPM) or syndicate hoodlums from Hong Kong and Bangkok to stay out of Singapore.

Internally

Internally, Mr. Lee rules by different forces. The core of his political power is PAP, a highly organized political institution. It operates through a variety of organisms, including dominance of the NTUC.

In each of Singapore's 69 electoral districts, a Citizens' Consultative Committee has been created as a statutory link between citizens and their government. In each, a civil servant is assigned as ex-officio secretary — who reports directly to the prime minister's office.

In each neighborhood, there are community centers operated by the People's Association, a government board created 18 years ago to promote community-betterment programs. The management committees of the 166 such centers are dominated by PAP members of Parliament and other PAP followers.

Thus, Mr. Lee's political arms reach down to the smallest neighborhood, touching directly the lives of nearly every one of Singapore's 2.3 million citizens.

Through PAP, members of Parliament, community centers and consultative committees, the prime minister has a constant feedback of information and in turn is able to exert his power down to the grass roots in effective ways.

By contrast, his major political opposition — the Barisan Socialists and the Workers' Party — have almost no reliable grass-roots organizations. "People compare Lee Kuan Yew with Mussolini because, like the Italian dictator, he makes the economy work. But a better comparison is to Mayor Daley of Chicago," remarked a foreign resident.

Intellectual

But Singapore's prime minister is more than a mere adroit city political boss. He is a visionary intellectual determined to forge a new nation out of what was once a colonial coaling station.

Singapore did not exist in anyone's mind as a "nation" until Mr. Lee, out of necessity, created it in his mind's eye.

That came in 1965, when Singapore was tossed rather rudely out of the Federation of Malaysia by suspicious Malays who feared Singapore's hard-working Chinese majority — and Mr. Lee — would dominate their new country coalesced out of the disparate former British colonies of Southeast Asia.

While the British had agreed in the 1950s that Singapore could become a self-governing state on its own, the concept of a Malaysian federation seemed to make better sense. The export of Singapore — comprising slightly more than 525 square miles of land — would then be politically attached to its logical hinterland of Malaysia and the neighboring members of the federation. The patch job lasted two years.

When Singapore was out of the federation, Mr. Lee determined to give it a new political form. In the 13 years since, he has spelled out his dream of a new, multi-racial, fiercely independent city-state. This city-state would develop its own culture, derived from the Asian heritages originally brought by Chinese, Indian and Malay immigrants in this colonial sea base during the past century and a half.

Speaking this summer at a national day rally, the prime minister revealed that he had nearly become "deculturized" as a Chinese youth educated in the English language and in British schools. "I may speak the English language better than I speak the Chinese language," he said, "because I learned English early in life. But I'll never be an Englishman in a thousand generations and I have not got the Western value system inside; it's an Eastern value system."

He even noted that he had carefully watched photographs of his own children while they were away at university in Britain to see whether they took to current Western fads, which he described as long hair, dirty jeans, bare feet and T-shirts, "with strange slogans printed on them."

He was paternally — and patriotically — proud when photos mailed to him revealed suitably short-cropped hair styles. The lesson for Singapore's youth was clear: How to fashionably clean image of "Singapore-ness."

(Continued on Page 3)

The Communist Suitors of ASEAN

SINGAPORE (IHT) — Singapore is a nation caught in the competition among Communist nations.

At present, that competition is much to Singapore's liking. Feuding and intrigue among Vietnam, Cambodia, China and the Soviet Union have given the Association of Southeast Asian Nations (ASEAN) room to maneuver. As the well-placed source put it, "the collapse of Communist unity has given us a period of time — perhaps five, maybe even ten years — in which to strengthen our own [ASEAN] unity and develop our countries."

In addition, the Communist countries of Asia have now switched from the role of Cold War adversaries to ardent suitors of ASEAN.

The latest twist in the romancing of Southeast Asia came from the Soviet Union, which in September

dropped its stern view of ASEAN as a "disguised outpost of American imperialism" and now seems willing to treat the five-member regional group as an important entity to be dealt with on somewhat equal terms.

Generous Gestures

Soviet Deputy Foreign Minister Nikolai Firyubin recently slipped into Singapore unobtrusively to drop hints of Moscow's new appreciation of the ASEAN states. Unlike the highly publicized visit of Vietnamese Premier Pham Van Dong a week earlier, Mr. Firyubin hardly was visible. No press conferences, banquets, speeches, welcoming review. Diplomats in Singapore are not certain that Prime Minister Lee Kuan Yew met the Soviet envoy.

Why had he come to Southeast Asia? "He just wanted to check up

on how well his Vietnamese friends are doing," said one official. The Soviet diplomat was also making generous gestures to ASEAN members in expanded trade and aid. For Singapore, this is not a small item. More than 1,000 Russian ships called last year at Singapore, and the republic's ship repair yards have been kept busy with Soviet orders.

However, Mr. Firyubin may have sought an invitation Singapore did not want to be asked to give — that a Soviet naval flotilla be allowed to make a friendly call.

While Russian ships normally pass through the Straits of Malacca en route to and from Indian Ocean stations, the growing Soviet Pacific fleet has not paid an official port call. "They would love to show the flag here," commented a Singaporean.

Singapore officials are aware of the implications of any additional

Soviet presence: implied support for Vietnam versus Cambodia and a slap in the face for China.

In close cooperation with other ASEAN leaders, Mr. Lee has so far followed a very neutral policy on the squabbling of its northern Communist neighbors, and that policy is likely to continue.

Despite disclaimers that ASEAN has any military agreements, the non-Communist alliance still prefers the protection of the American umbrella. Observers hope ASEAN can remain primarily a political and economic alliance rather than be forced to take a military stance on its own or to become a NATO-like adjunct of the Americans.

'Zone of Peace'

Close political coordination among the five nations (Singapore, Thailand, Malaysia, Indonesia and the Philippines) has proved sufficient to force the feuding Communist powers to treat ASEAN demands seriously. The crux of these demands is that Southeast Asia become a "Zone of Peace, Freedom and Neutrality," popularly known as ZOPFAN. Vietnamese Premier Dong

seemed to agree during a series of rapid-fire visits to ASEAN capitals this autumn. He said he wanted the region to be a "zone of peace, genuine independence and neutrality."

Questioned about the difference in wording, Mr. Dong told newsmen that "it's just a question of semantics."

Most ASEAN officials understand that the Vietnamese mean that Southeast Asia must shake off its American mantle before it has "genuine independence." Nonetheless,

(Continued on Page 4)

Filling the Gap in Offshore Dollar Markets

SINGAPORE (IHT) — Singapore's banking industry has its spots offshore in more ways than one. Shenton Way, heart of the financial community, runs on reclaimed land that was once the middle of the harbor.

The first banks built their business on colonial trade finance or the merchant ventures and the plantation and tin-mining investments of the Southeast Asian overseas Chinese.

The Mercantile Bank, first to set up shop in Singapore in 1856, the Chartered Bank in 1859, and the Hong Kong and Shanghai in 1877, were all colonial trade financiers. So were the early non-British banks, the Nederlandsche Handel Maatschappij, First National City Bank and Banque de l'Indochine.

The Overseas-Chinese Banking Corp., doyen of the local banking scene, traces its roots to three houses set up between 1900 and 1920 to bankroll the ventures of the Hokkien overseas Chinese.

But the real boom began in the late 1960s, when Prime Minister Lee Kuan Yew's government saw a gap to be filled in the fast proliferating offshore dollar markets.

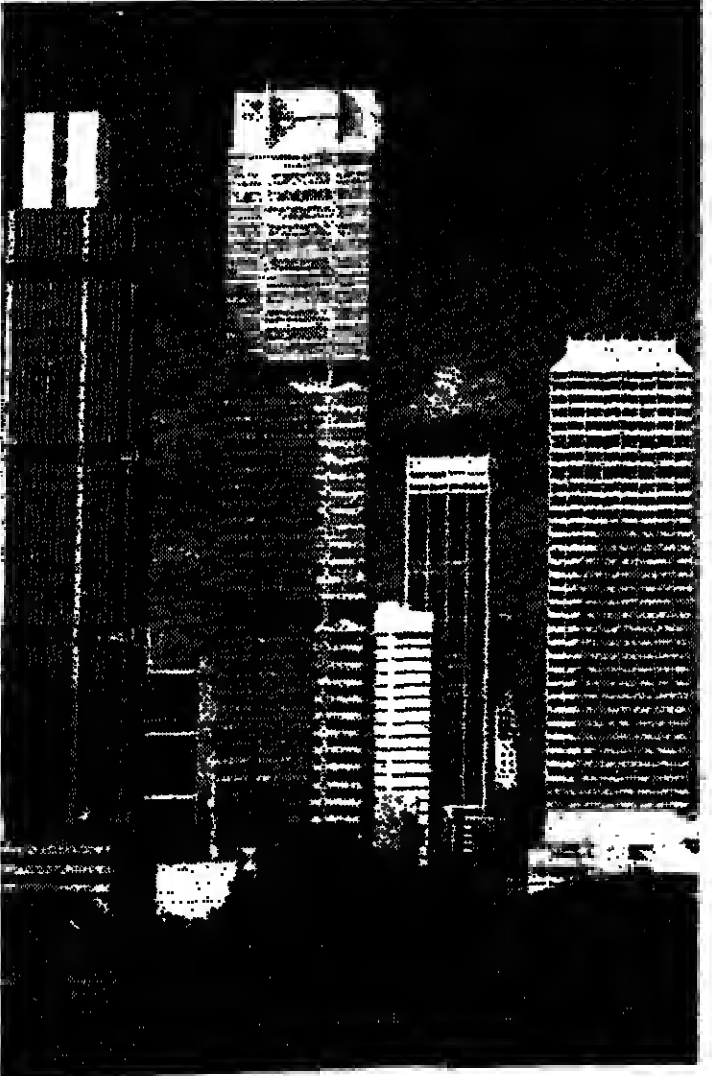
Singapore's first Asian dollar deposit operations was set up by Bank of America in 1968. The formation of the Monetary Authority of Singapore (MAS) in 1970, and the loosening of tax, foreign-exchange control and liquidity requirements for offshore banking marked the start of a dash to become a regional financial center.

At the latest count, Singapore has more than 80 banks and merchant banks with Asian Currency Units (ACUs) licensed by MAS to do nonresident banking business.

Assets and liabilities of the offshore banking industry have soared during the past five years by a massive 265 percent to slightly more than U.S.\$23 billion at mid-1978 from \$6.3 billion at end-1973 and less than \$3 billion at end-1972.

Asia Dollar

Bankers still generally rate Hong Kong higher as a center of offshore dollar syndication but Singapore's dollar-deposit business is generally estimated to have outstripped Hong Kong's by a third or more.



Shenton Way, heart of the financial community.

In the will-o'-the-wisp Asian dollar bond market, a clutch of Singapore-based houses have established positions as primary-issue managers and selling agents. Top names would include the Development Bank of Singapore (DBS), DBS-Daiwa, Morgan Grenfell (Asia), United Overseas Bank, Singapore Nomura and Singapore-Japan. In favorable conditions, which have not existed for most of the past

ment bankers, Merrill Lynch and Credit Suisse-First Boston.

The U.S. dollar's erratic fortunes have meanwhile catalyzed a dramatic boom in Singapore's foreign exchange business in the past couple of years. MAS figures indicate a near 40-percent jump in exchange turnover this year to almost U.S.\$2 billion a day. Allowing for double counting, a more realistic estimate would be about \$1.25 billion daily, compared with a daily average of about \$340 million just four years ago, exchange dealers say.

Geography, which played the crucial part in Singapore's mercantile development, has also been crucial in its growth as a foreign exchange and dollar-deposit market. Poised between the U.S. West Coast and Japanese time zones to the East and Europe to the West, Singapore and Hong Kong have become the place where yen positions are reinforced or unwound after the Tokyo close and where quick-witted European bankers steal a march on their rivals before the sun rises in Frankfurt.

Foreign Exchange

One third of Singapore's foreign exchange business is done in U.S. dollar/yen and another third in U.S. dollar/Deutsche marks. Hammering home the offshore nature of the market, MAS figures for last year showed only 15 percent of exchange business involved the Singapore dollar. Dealers say this year's percentage will be less.

In addition to geography, reasons commonly cited for Singapore's banking success include the excellence of its telecommunications and its remarkable political and economic stability.

More controversy surrounds the role of the MAS. Progressive-minded and sensitive to bankers' needs, the authority, under Managing Director Michael Wong Pakshong, has presided over a growing system that now includes six international money brokers (there were none when MAS was formed in 1970) four discount houses (none in 1970), more than two dozen merchant banks (none in 1970) and some four score commercial banks.

On the other hand, MAS runs a tight ship, at least compared with the free and easy ways of Hong Kong.

Some bankers blame excessive caution and overzealous regulation on the part of the authorities for imbalances in the system, such as the relatively weak development of forward-exchange trading. MAS is also held responsible by some bankers for seemingly endless procrastinations on the formation of a proposed Singapore gold futures exchange, which has finally crept into action after four years of grinding delays.

MAS officials say Singapore hardly looks over-regulated com-

(Continued on Page 2)

World's Third Largest Oil Refinery Center

By J.D. Indran

SINGAPORE (IHT) — Singapore is now the third largest oil refinery center in the world, after Rotterdam and Houston, with a total capacity of more than one million barrels of crude oil per day. Oil refining is Singapore's biggest industry despite the fact that there is not a single oil well here. The industry is concerned mainly with refining, marketing, transportation and distribution.

There are several reasons for the phenomenal growth of the petroleum industry in Singapore. They include the government's policy on tax incentives as well as political stability, infrastructure (such as an excellent port and good banking and communication facilities) and a hardworking and skilled population.

Most crude oil comes to Singapore from the Middle East, normally by tankers. Here, it is produced about 23 liters of gasoline, 41 liters of kerosene and diesel, 82 liters of fuel oil and seven liters of other products. The remainder is used as fuel during refining or is lost in the process.

At the moment, most refineries are operating at half their capacity. The distillates are kept as stocks by the refineries either for export or to meet local demand.

Major Supplier

Singapore imported about 21 million metric tons of petroleum and petroleum products valued at about \$4.4 billion during the first nine months of 1977. About \$3 billion of crude oil accounts for the bulk of the volume, most of which is from the Organization of the Petroleum Exporting Countries. Saudi

Oil refining is Singapore's biggest industry despite the fact that there is not a single oil well here. The industry is concerned mainly with refining, transportation and distribution.

New Project

Despite the gloomy oil situation in the last few years, the most ambitious project undertaken here — the Sunthome petrochemical complex at Pulau Ayer Chawan — is under way. This joint venture between the Singapore government and the Sunthome Chemical Co. is a clear-cut move to develop higher technology petroleum products. Singapore was chosen because of its proximity to existing refineries, which will supply naphtha/gas-oil and process feedstock.

Japan

Kerosene and other fuels account for 44 percent of these exports, diesel fuel 19 percent and aviation fuel 14 percent.

Japan continues to be Singapore's biggest customer, with \$800 million of export sales, followed by Hong Kong (\$576 million) and Malaysia (\$305 million). Australia, Thailand, the United States, Papua New Guinea and New Zealand also buy Singapore's petroleum products.

Vietnam used to be an important market. But since the end of the war, its imports have become negligible.

quantities of refined products, totaling about \$1 billion, of which almost \$200 million is re-exported. Combined with the \$2.6 billion in domestically refined exports, total oil exports (not including those to Indonesia) amount to \$2.8 billion.

For every barrel of 159 liters of crude, Singapore's refineries produce about 23 liters of gasoline, 41 liters of kerosene and diesel, 82 liters of fuel oil and seven liters of other products. The remainder is used as fuel during refining or is lost in the process.

At the moment, most refineries are operating at half their capacity. The distillates are kept as stocks by the refineries either for export or to meet local demand.

Singapore also imports large

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Singapore also imports large

[illegible]

Option & price	Vol.	Last	Vol.	Last	Vol.	Last	Close	Option & price	Vol.	Last	Vol.	Last	Vol.	Last	Close	Option & price	Vol.	Last	Vol.	Last	Vol.	Last	Close		
Dec			Mar		Jun		N.Y.																		
Oilfield & price	Vol.	Last	Vol.	Last	Vol.	Last	Close	Hornstgk	35	11	64	0			31%	Hornstgk	35	11	64	0		31%			
Bruns	15	b	b	b	b	b		Hornstgk	35	234	76	57	4%	27	b	31%	Hornstgk	35	234	76	57	4%	27	b	31%
Dow	25	b	b	b	b	b		Hornstgk	40	6	1-16	58	4%	129	11%	31%	Hornstgk	40	6	1-16	58	4%	129	11%	31%
Dow Ch	25	b	b	b	b	b		Hornstgk	40	12	2-16	58	4%	129	11%	31%	Hornstgk	40	12	2-16	58	4%	129	11%	31%
Ford	45	b	b	b	b	b		Hornstgk	40	234	76	57	4%	27	b	31%	Hornstgk	40	234	76	57	4%	27	b	31%
Gen El	35	b	b	b	b	b		Hornstgk	40	234	76	57	4%	27	b	31%	Hornstgk	40	234	76	57	4%	27	b	31%
Gen El	35	b	b	b	b	b		Hornstgk	40	234	76	57	4%	27	b	31%	Hornstgk	40	234	76	57	4%	27	b	31%
Gen El	35	b	b	b	b	b		Hornstgk	40	234	76	57	4%	27	b	31%	Hornstgk	40	234	76	57	4%	27	b	31%
Gen El	35	b	b	b	b	b		Hornstgk	40	234	76	57	4%	27	b	31%	Hornstgk	40	234	76	57	4%	27	b	31%
Gen El	35	b	b	b	b	b		Hornstgk	40	234	76	57	4%	27	b	31%	Hornstgk	40	234	76	57	4%	27	b	31%
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Gen El	35	b	b	b	b	b		Hornstgk	40	234	76	57	4%	27	b	31%	Hornstgk	40	234	76	57	4%	27	b	31%
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د. محمد صالح المنجد



The World's Most Preferred Site for Foreign Investment

SINGAPORE (IHT) — Earlier this year, the New York-based Business International released results of a survey of international businessmen that showed Singapore to be the world's most preferred site for foreign investment. It only confirmed what scores of overseas investors here already knew. With its hardworking and disciplined work force, an enviable program of government incentives and modern communications and transport, the island republic is a haven for foreign capital.

At the beginning of 1978, there was more than \$4 billion (nearly U.S. \$2 billion) in foreign investment here. During the first half of the year, investment commitments increased appreciably more than in 1977, reaching \$530 million. For all of last year, they totaled \$391 million.

The two largest projects introduced in 1977 were a bearing plant operated by Koyo of Japan and an aircraft component factory owned by Sundstrand of the United States.

Together, their value is about \$40 million.

Worried by rising protectionism in its major export markets and eager to raise the technological level of the local work force, the Singapore authorities are now making a special effort to lure high technology foreign investment that turns out the kind of products that are largely immune from tariff restrictions.

This effort appears to be bearing fruit. According to the Economic Development Board (EDB), the government agency responsible for promoting investment in Singapore, some 60 percent of last year's 117 new or expanded investment projects were in the technology-intensive or intensive electronics fields.

Pioneer Scheme.

The EDB encourages high-technology investment through its "pioneer scheme," under which a five-year tax holiday is granted to firms introducing industry considered likely to produce goods with high

market accessibility abroad. Because such industry is almost invariably in the high-technology field, it has the added benefit of raising the technological capability of the work force.

At the same time, high-technology industry has important spin-off benefits for small-scale industry held by local interests. For example, Philips, the Dutch electronics giant, gives subcontracts to local firms to produce plastic components for the radios, television sets and telephones it manufactures in its five Singapore installations.

The EDB, together with other government departments, has voiced some concern over the small level of locally generated investment in the manufacturing sector here. But EDB officials hope that in the long run the managerial and technological expertise that Singaporeans acquire in foreign projects will instill a spirit of entrepreneurship.

The United States remains the largest foreign investor in Singapore, with a total of \$1.37 billion. It

is followed by Japan (\$633 million), the Netherlands (\$371 million) and Britain (\$366 million).

Petrochemical Complex.

It is almost certain that the United States will be displaced by Japan within the next several years. A Sumitomo petrochemical complex, valued at about \$2 billion, is scheduled to begin operations in early 1982.

The Sumitomo project is by far the largest foreign investment ever contemplated for Singapore. Officials here are nervously watching its progress. Japan's domestic petrochemical industry is suffering from overcapacity, a condition that has led to some speculation that Sumitomo may want to delay construction work in Singapore until its products have a market. For their part, the Japanese are sticking to the 1982 opening date.

Singapore makes no secret of the role it believes foreign investment has played in the development of the republic's economy. "Singaporeans were smart enough to recognize those more enterprising than ourselves," Prime Minister Lee Kuan Yew declared in a recent speech. "That was the key to our rapid development."

In the same speech, the prime minister pointed out that some 12,000 foreign managers, engineers and technicians have worked in Singapore, a figure which represents 20 percent of the work force in those categories. Some 250,000

workers, or 30 percent of Singapore's total work force, were employed by them, he said.

Underscoring Prime Minister Lee's remarks on the role of foreign investment in Singapore's development is a recent EDB survey citing the high success rate enjoyed by foreign firms here. According to the survey, not a single major multinational corporation has failed in its Singapore venture. Enterprises wholly-owned by U.S., Western Eu-

ropean and Japanese investors had an overall failure rate of only 6 percent, about half the failure rate for other foreign firms, such as those from Hong Kong and Taiwan.

The survey also showed that when Singaporeans went into joint ventures with firms from the United States, Japan or Western Europe, the failure rate was 7 percent. Wholly Singapore-owned companies have a failure rate here of 38 percent.

One of the major attractions for foreign firms operating in Singapore is the wage structure. The average monthly wage for production and manual workers in 1977 was U.S. \$146, a twofold increase from 1966. Singapore's union leaders, who work hand in hand with the government, have been careful not to press for more rapid raises, which they fear could reduce Singapore's investment competitiveness. —P.W.

Recession, Nationalism Trouble Shipping

SINGAPORE (IHT) — Singapore is the fourth busiest port in the world and serves as a transshipment center for the region. More than 200 shipping lines from all over the world call here regularly, with many other ships stopping over on tramp services.

But the recession in the world economy and the economic nationalism practiced by the Southeast Asian countries have cast a pall of gloom over Singapore's shipping and shipbuilding industry.

Several small shipping firms here have closed down because of the recession in the shipping industry or because there was too much cargo to carry. Others have laid up their ships to cut down operational costs.

The high costs of bunker fuel have eaten into the profits of the companies since the oil-production countries raised their prices. Another major factor that has affected the industry's performance is the economic policies practiced by Singapore's neighbors.

The first move came when the Malaysian Parliament approved the Merchant Shipping (Amendment and Extension) Bill 1976, under which all cargo from one Malaysian port to another should be carried only by Malaysian-registered vessels operated by firms with at least 50 percent of the shares controlled by Malaysian citizens.

The three main local shipping lines, Straits Shipping, Guan Guan Shipping and Pacific International Lines, have already transferred some of their ships to the Malaysian register and opened up offices in the Malaysian capital of Kuala Lumpur to comply with the regulations.

The Indonesian government has also placed several other restrictions on Singapore ships trading at Indonesian ports. Local vessels that call at Indonesian ports must get a sailing permit every six months and some are not allowed to enter certain ports undergoing development.

Under a cargo-sharing agreement signed between the two countries, 55 percent of the cargo from Singapore to Indonesia is to be carried by Singapore vessels and 45 percent by Indonesian vessels. The percentages are reversed for cargo from Indonesia to Singapore. Singapore firms have reported a decline of 40 percent in cargo from here to Indonesia because of the restrictions.

Local shipping companies have also complained that trade with Middle East ports has dropped recently. Governments there have restricted shipping activities to conference lines ships because of the proliferation of bogus firms that have swindled shippers.

Most of the Singapore firms that call there do not belong to any conference but are independent operators. Despite the many difficulties faced by local shipping firms, several of them are still expanding into new trading sectors or increasing their fleets.

Singapore's national shipping firm, Neptune Orient Lines, recently placed a \$280 million order for five container ships with Ishikawajima-Harima Heavy Industries of Japan. The company started a Far East-U.S. run earlier this year and is now contemplating scheduled services to Western Asia and New Zealand.

Several other private firms, like Pacific International Lines, are also planning on expanding their fleets.

The government has announced that it would help finance local firms that want to build ships — provided the vessels are built at local shipyards. Besides aiding the firms, this would also provide business for the yards, which are facing a drop in new orders.

The ship-repair industry, however, performed well last year despite undercutting by local yards to compete with their rivals overseas. But the future for the ship-repair yards is gloomy because of the setting up of new yards in the Middle East and in East Asian places like Hong Kong, Taiwan and South Korea.

Competition in the repairing sector is now keen and prices are competitive. However, Singapore's strategic location in the center of the shipping traffic should be an advantage.

But Singapore's image as a ship-repair center suffered a severe setback when the Liberian-registered tanker, Syros, exploded and caught fire in a shipyard on Oct. 12 of this year, killing 76 people and injuring more than 50 workers. The shipyard has already cancelled contracts for work on five tankers because of the low morale of the workers.

The oil-rig construction industry, which has slumped for the past three years because of the decrease in exploration activities in Southeast Asia, has now picked up. Three rigs are being built in Singapore yards for China and three others for French and American firms.

The yards expect an increase in orders in the coming months because of the worldwide increase in exploration activities offshore. —J.D.I.

A Fully Functioning Democracy Ruled by One Man

(Continued from Page 1)

Although admitting that he was alarmed on the Socialist objectives of the British Labor Party (and particularly its anti-colonial stand), Mr. Lee said, today has dumped socialism into the rag heap of history.

In a revealing speech made before a group of American business executives during his recent trip to the United States, the prime minister declared that planned socialism was a measure that had failed. "Why try to do what has repeatedly been shown to be impossible or impractical, however logical and attractive the theory may be?" he asked. Such talk is "not worth the effort," he said.

At the same time, Mr. Lee's party walked away from the Socialist International congress in May, 1976, reportedly because the Dutch Labor Party's charges about Singapore's state of civil liberties were not substantiated.

Mr. Lee unabashedly is modeling the new Singapore on capitalistic principles — and openly invites nationals and foreign investors to come without the usual demands of developing nations for equity participation and eventual local control of enterprises.

Cooperatives

Singapore does promote cooperatives to improve conditions in some fields. Trade unions, for example, formed a co-op in which taxi drivers own their own vehicles. And a central fund has been made mandatory as old-age security.

But internationally and internally, Singapore is for free trade, free enterprise and rapid economic growth.

Mr. Lee told his listeners in the United States that in facing the "realities of the world," in 1965, "the sole objective was survival. How this was to be achieved, by socialism or free enterprise, was a secondary matter. The answer turned out to be free enterprise, tempered with the socialist philosophy of equal opportunities for education, jobs, health and housing," he explained.

He never contemplated nationalization, or state planning. "There

was precious little to nationalize," he said. Furthermore, he considered Sukarno's Indonesia, U.N.'s Burma and Bandaranaike's Ceylon failures.

Given a commitment to freedom in enterprise and commerce and adherence to the British parliamentary system, Mr. Lee sought to create a new identity for Singapore.

A Code

In doing that he has moved in tough, even harsh, ways. There is a generally understood code now:

- No mention must be made of racial differences. A Chinese newspaper publisher who allegedly promoted an image of chauvinistic Chinese superiority in invidious comparisons to other cultures, was broken. A new newspaper law put through Parliament this summer states that no one may own more than 3 percent of the shares of any newspaper. The offending publisher lost his family-held grip on his own newspaper.
- Communism in any form is prohibited. Violators find themselves in detention in Changi prison.

That goes not only for Malaysian Communist Party infiltrators but also for intellectuals, lawyers or journalists who might secretly express sympathies for the Marxist-Leninist path.

• Mr. Lee himself may not be directly criticized (although one is free to lambast his policies). Persons who overstep the bounds of propriety may find themselves facing stiff libel suits.

• Outsiders may not import influence into the country. One such effort, by a Hong Kong publisher, to open a competing English-language newspaper, was stopped three years ago in an embarrassing display of government heavy-handedness.

Dull and Docile

Editors and reporters understand these ill-defined but very real political parameters on their actions. Little wonder that a recent university student debate on the question of why newspapers were "dull and docile" ended with one judge saying that neither side had fully explored the question.

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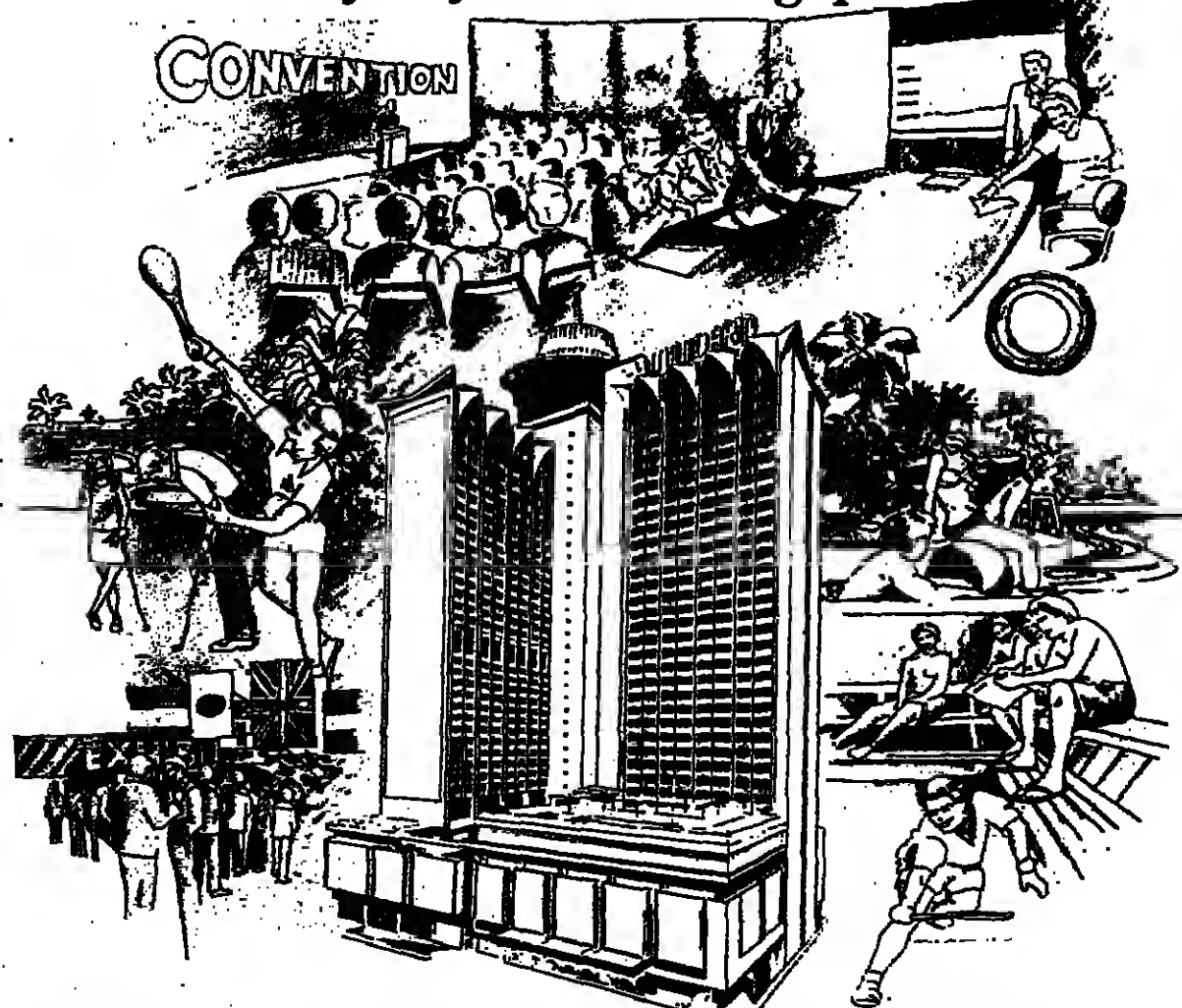
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Essay: Criticism Should Be Based on a True Understanding

By Dick Wilson

LONDON (IHT) — Soon after I began to live in Singapore, almost 10 years ago, I received a letter from the Ministry of Culture. It was signed by a person who called himself "Director, Undesirable Publications." A magazine had arrived from abroad for me that was not allowed to have the post office deliver. All very Orwellian, one may say, but in fact I was entering the halfway world between good old-fashioned Chinese authoritarianism (which would simply have confiscated the periodicals in question) and liberal Oxbridge democracy (where there would have been no such restriction at all).

Eventually, I signed a pledge that I would not show these pernicious materials to Singapore citizens and that I would either destroy or re-export them. It was, incidentally, the Peking Review that I was trying to have delivered.

The Singapore dilemma is personified by Prime Minister Lee Kuan Yew himself. Brilliant, hard-headed, clear-sighted and charismatic, this unusual leader is troubled, as was Nehru, by "cultural schizophrenia." Mr. Lee has the manners and the values of a Cambridge graduate and yet he is doomed to preside over what Mary Turnbull, in her new history of Singapore, has described as a "mini-middle kingdom" in Southeast Asia.

Westerners assume that Singapore may be treated as an Anglo-Saxon product. Actually, it is almost fully Chinese. The Western press does not belabor Chairman Hua Kuo-feng in Peking or Sir Murray MacLehose in Hong Kong for denying democratic or civil rights to their subjects. Yet Mr. Lee, trying to perpetuate a state only half the size of Hong Kong in a culturally hostile Malay environment, is singled out for betrayal of his Oxbridge values. China and Hong Kong, one revolutionary and the other colonial, do not pretend to be democratic. Singapore does pretend, and therein lies its difficulty.

Communists

Foreign attention focuses on the 60 or so men and women detained without trial. The Singapore government explains that it cannot deal with its Communist opponents through the courts because of what Mr. Lee has described as "the ter-

ror of retribution in the minds of those who are enmeshed in the Communist conspiracy." The witnesses whose testimony would be required in a court of law would simply not come forward.

Singapore can point to a precedent set by the British colonial authorities, who in the late 1940s and 1950s had to detain 20,000 local people without trial in order to govern.

Mr. Lee insists that his detainees "can walk out of detention at any time by signing a simple undertaking (pledge) that they will not in future, either directly or indirectly, help the Communist Party of Malaysia or any of its auxiliary organizations to overthrow the constitutionally elected government of Singapore."

One detainee, Shamsuddin Tung, a journalist, wrote to the press offering to sign such an undertaking, but he is still behind bars. Having detained him for helping the Communists, the government could hardly allow him to go free by stating, as Mr. Tung was ready to do, that he had never in the past and never would in the future do such a thing.

Hence the unseemly and cruel jail "conversions" and televised "confessions" by people who, in the eyes of those who knew them best, had never intended to overthrow the government.

The Internal Security Department (ISD) is answerable only to the prime minister. There have been nasty suggestions in the past year or so that its officers have increased the cruelty of their interrogation and are blessed with a rather low degree of sophistication in their judgment of political attitudes.

The prime minister has a short answer to the former suggestion: Any aggrieved person can sue the officers concerned in the Singapore courts. He does not find this advice inconsistent with his own refusal to charge detainees in his courts. One wonders how successful a former detainee would be in finding witnesses to support such allegations in court.

Mr. Lee once answered his Amnesty International critics by declaring that "they must know" that the detainees are Communist or Communist supporters. In other words, one must rely on his judgment and that of the ISD on the complex question of whether a man is a Communist supporter.

China and Hong Kong, one revolutionary and the other colonial, do not pretend to be democratic. Singapore does. . . and therein lies its difficulty.

Foreign Minister S. G. Rajaratnam hailed the last election landslide for the People's Action Party (PAP) as a mandate "to fight the Communists and the pro-Communists." One shudders at the leeway that latter phrase could give to the heavy-handed elements of the party and administration.

Sometimes it looks as if the ISD is constructing a network of officers on almost every Singaporean of sufficiently independent opinion to brush against the government, even on minor questions, so that eventually the authorities could, in an emergency, round them up.

Confessions obtained from detainees read all too often along the lines that "A is a radical who was involved in the such-and-such pro-

test. He knows B, C, D, E and F." (Sometimes at the end, one finds a name that temporarily suspends belief, such as the "Peter Pan" who was found to be one of the Communist agents in Australia.)

Why is all this necessary? Was not the PAP voted into power at the last count by 72 percent of the electorate? Enoch Powell, in another context, has recently drawn attention to the fact that 10,000 Norwegians conquered one million British in 1966. By this reckoning, the 2 million Singaporeans could possibly be defeated by 20,000 Communists. By coincidence, this happens to be the number of people that the British found necessary to detain 30 years ago.

The PAP now says officially that

Communism is on the decline in the schools. Its recruits, the prime minister has said with pride, are "no longer the bright ones."

This trend has led to the promise that suitability certificates for university entry may be suspended, an action that would, as a local paper commented, "encourage activities that will foster political leadership abilities."

The fact remains that a relatively small number of dedicated and efficient Communists would still be capable of knocking out Singapore as we know it today. No honest person envies the government's security problem.

Some observers put it this way: that Singapore is sacrificing a little freedom for a lot of efficiency. Efficiency there certainly is. If heroin

traffickers become too greedy, then let them be hanged (two were). If courtesy is needed for tourism, let 200,000 "Courtesy" cards be distributed. If too many medical students are staying abroad after graduation, then let them be bonded to come back.

A Plastic Bag

But the Singaporeans are not superhuman. Recently, ship repair workers left a plastic bag in the works, causing the ship to break down a few miles out at sea. Rolled, the German cameraman, has found that local skills at its highly sophisticated plant in Singapore are not as great as company officials had hoped.

Frances Khoo, a young lawyer

and political cartoonist, escaped detention by not answering the ISD's knocks on the door of his 18th-floor flat at 3:30 in the morning so that the security officers went away.

The question at the heart of all this is not efficiency, but the survival of present Singapore society. The junior minister for education put it well in a speech to Catholic teachers: "The notion of allowing an individual to develop in accordance with his nature is mere romantic idealism," he said. Education is "above all a social means to a social end: a means by which a society guarantees its own survival."

The catch is that society needs leaders, and good leaders evolve their views and their skills by personal experience in political action, not by soaking up ready-made propaganda.

Mr. Lee has produced a good phrase in this connection. In the course of praising his two sons, Hsien Loong and Hsien Yang, for surviving three years at Cambridge University without growing their hair long, he explained that they had a "total value system. I am me; I have come to learn your science, your technology. . . I have not come here to have long hair, wear dirty jeans, walk about barefooted, wear T-shirts with strange slogans on them."

Moral Modulator

These two young men had "a moral modulator," which enabled them to draw this distinction in their everyday lives. The prime minister estimates that only 50 people in the state possess this precious modulator and it is on these 50 that the future of Singapore depends. Mr. Lee is found of saying that

the Communists want things both ways: They want "both the ballot and the bullet." But he is also trying to have it both ways, wanting to secure the future of his country while at the same time ensuring its future leadership. A democratic bias on his part might encourage leaders who would come to maturity only to find there was no free society left to lead. An autocratic bias might preserve the society but perhaps condemn it to be left leaderless after Mr. Lee has gone.

The government is worried because it wants a second English-language morning newspaper, and it regrets the lack of experienced and serious journalists who can report on economic and international issues for readers in Singapore. Yet, Mr. Lee knows well that some of the most promising young journalists, who must by definition have independent minds, have fallen afoul of his administration on issues that observers do not see as basic ones and have either been pressured out of the profession or silenced by jail.

If the Communist threat is even half as serious as the PAP claims, then outsiders should be more understanding of the dilemmas for civil liberties. This does not mean abstaining from comment in individual cases of possible injustice. It does mean proving to Singaporeans that we make such criticisms from the basis of a true understanding of Singapore's political situation.

Dick Wilson was a co-founder of the Singapore daily newspaper the New Nation. He now lives in London where he is the editor of the China Quarterly. His biography of Mr. Lee-tung is scheduled to appear in the spring.

Press Is Distrusted But Not Often Muzzled

SINGAPORE (IHT) — In a recent informal meeting with foreign journalists here, Prime Minister Lee Kuan Yew clearly spelled out his attitude towards the press. There are two kinds of people in this world," the prime minister said. "The doers and the describers."

If the journalists got the impressions that Mr. Lee had placed them in the category of lesser beings, they were probably interpreting his signals correctly. The Singapore government distrusts the press and has done its best to encourage docility among both local and regional reporters.

In 1971, for example, the English-language Singapore Herald, which had assumed an independent stance by local standards, ceased operations after only nine months, following government suggestions to its major creditor, the Chase Manhattan Bank, that the paper had a subversive intent.

Last year, the local correspondent for the Hong Kong-based Far Eastern Economic Review was detained by security authorities for more than a month and released only after he had appeared on

television to "confess" to allegations that a Marxist background had led to his portrayal of Singapore as fascist.

A 1977 amendment to the Newspaper and Printing Presses Act of 1974 restricted individual or corporate ownership of any Singapore newspaper to 3 percent, effectively breaking the family holding pattern of local Chinese papers.

Signs of Life

Nevertheless, there are signs of life in the Singapore press. Even if reporting of local events is sometimes stifled, it is rarely, if ever, entirely muzzled.

Major interest has been focused on suggestions that another English-language daily may be in the offing, to compete with the well-established Straits Times group, which publishes both morning and afternoon newspapers in English.

That these suggestions are apparently coming from the government has led to a whole range of speculation on the role of the new paper.

One school of thought holds that the government is unhappy with the quality of the Straits Times' publications and hopes to upgrade

it through either sanctioning direct competition or merely threatening it.

Another theory is that the Straits Times' near-monopoly position frustrates government attempts to achieve the desired degree of control, and a new entry would solve this problem.

Finally, it is suggested that the government's preoccupation with upgrading the standard of English will ultimately reduce Chinese newspaper readership to a point where one of the two leading Chi-

nese language newspaper groups — Nanyang Siang Pau and Sin Chew Jit Poh — will have to go under. In order to forestall this, the argument goes, one will be encouraged to begin turning out an English newspaper.

It is estimated that at least \$10 million (nearly U.S.\$5 million) would be required to launch a new English-language paper. However, there is some question whether there is sufficient local journalistic talent to staff a new undertaking. — F.W.

The Communist Romancing of ASEAN

(Continued from Page 1)

less, Mr. Dong's formulation was much appreciated. Only three months before, Hanoi refused to have any dealings with ASEAN, declaring it "another insidious tool of the imperialists."

Now Vietnam flatly declares that it will not support subversive action in neighboring nations, directly or indirectly. Mr. Lee told Mr. Dong, "We must establish confidence in

each other by matching words with deeds." Mr. Dong clearly understood that ASEAN will be watching Vietnamese actions in Thailand, where Hanoi is believed by many to be supporting at least some of the insurgents.

Vietnam is not yet seeking membership in ASEAN, preferring to conduct its talks on a bilateral basis with each state. What is turning Vietnam and the Soviet Union toward ASEAN is China.

Singapore's role in this is not as simple as one might think. With Chinese accounting for 78 percent of the population, Singapore wants at all costs to avoid becoming an outpost of Chinese expansion into Southeast Asia. For this reason, Mr. Lee has repeatedly said ASEAN nations to be the last of ASEAN nations to establish diplomatic relations with Peking, Manila, Bangkok and Kuala Lumpur have had no such compunctions and enjoy friendly direct ties with Peking. However, Singapore will have to continue to compete with Indonesia for last place.

Peking is said to understand the situation and has not pushed Singapore for recognition. And the visit here last month of Chinese Deputy Premier Teng Hsiao-ping, as part of his Southeast Asian tour, did not create world-shaking headlines. A reluctance to seem to be grasping for regional leadership keeps Singapore at a low key within ASEAN. In the capitals of Europe and North America, Mr. Lee is well come as the most articulate and compelling of the ASEAN leaders, as he was during his wide-ranging trip in October. In his own backyard, he defers politely to others.

That role is not always easy. Singapore wants to push regional free-trade reforms and economic development faster. When Indonesia balked over establishing a diesel engine plant in Singapore as a joint ASEAN project, Singapore found a Western manufacturer to build the plant without ASEAN financial participation. In order to protect their timber resources, other ASEAN states have restricted logging. The result is a sharp fall in Singapore's export trade in logs, and Singapore businessmen have been complaining about it.

While politically — and strategically — ASEAN is a most fortuitous vehicle for Singapore's desire to be free of big and little power competitions, economically the collaboration is slow and agonizing. Consequently, Singapore is looking outside its immediate ASEAN environment for other outlets for its business activities. This summer, it sought to weld new ties with Bahrain, Sri Lanka and Bangladesh. Singapore sees itself now as a supplier of technology to less developed countries rather than as a primary producer of cheap-labor com-

sumer products. Mr. Lee has said he believes Singapore can now serve as a development model for less fortunate countries.

Despite the prospects of detente with Communist nations, Singapore still sees itself tied economically to the developed nations of the West.

During his trip to Western Europe and the United States in October, the prime minister fought against what he sees as a main wave of protectionism in Singapore's chief markets. "I sense a lot of nerve in some leaders in government and in industry and among some academics in the West," he told an audience in Florida. "The confidence in (the) working (of) the free market system has been shaken."

He declared: "The irony is that just as the truth is becoming apparent to the leaders of developed countries, the new models of growth, South Korea, Taiwan, Hong Kong and Singapore, face the danger of protectionism in industrial countries."

It is felt that the breathing space allowed by the internal feudings in Singapore's Communist neighbor must not be wasted; but too rare an opportunity to build strong and healthy ties in non-Communist Southeast Asia. For all that, it is not fear of Chinese border or Soviet gunships but the possibility that Communist insurgents will take advantage of the region's weaknesses that looms the real threat.

Mr. Lee seeks some sympathy for that position from the governments of the West. Singapore is seeking aid, rather an enlarged role in industrial investment and a commitment to free trade. A large delegation from the European Economic Community visited the ASEAN nations this autumn to probe ways to increase European investment in these countries and improve trade between the EEC and ASEAN. This was an important step because for the first time ASEAN and the EEC organized each other as regional economic blocs. Previous contacts had been bilateral talks between individual member nations.

Singapore's leaders hope there will be many more meetings between the EEC and ASEAN.

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and we wouldn't still be here
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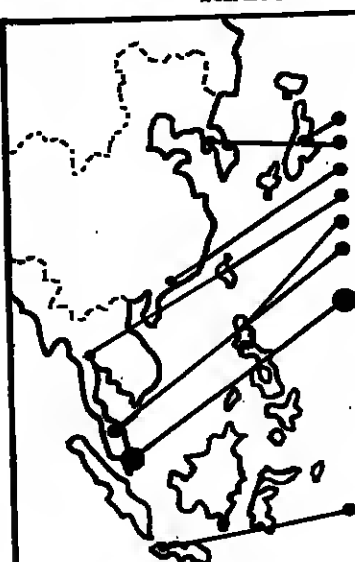
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Gold Futures Rise Amid Inflation Worries

By William Ellington

coupon basis comparable with Eurobonds of 9.70 percent.

Since this yield was considerably higher than comparable Eurodollar issues, it served to illustrate the extent that the Eurodollar bond market was out of line with its bigger New York cousin.

"I only required a faltering in the dollar's progression to trigger a reaction in a market that had already outrun its U.S. domestic and Yankee counterparts," Kidder Peabody International told its clients. The investment bank said that, taking into account the likelihood of term uncertainties, the likelihood of rising interest rates and the possibility of an increased flow of new issues, it would advise caution at present.

However, the only straight dollar issue under offer at the end of last week was reportedly receiving considerable demand from large institutions, albeit at generous concessions from issue price. The unusually structured \$50-million, 20-year issue of the European Coal and Community (ECSC) bears interest at 10 percent for the first five years and 9 percent for the remaining 15 years.

According to market participants, the issue was being made available to large institutions at a discount of 1.5 percent from issue price, which will be fixed by the syndicate manager, S.G. Warburg and Co., on Tuesday. Earlier in the week, Union Bank of Switzerland (Securities) Ltd. placed privately a \$25-million, 10-year issue of the European Investment Bank at 99.75 bearing 9.375 percent to yield 9.40 percent at maturity.

It was a week full of dire forecasts about the heights about to be scaled by both interest rates and the inflation rate.

Henry Kaufman, a partner of Salomon Brothers, weighed in with his view of credit demands and the U.S. economy for the coming year. It was not the sort of prediction calculated to make people rush out and buy stocks and bonds.

For the long-term investor whose sights — and fond hopes — are oriented to capital gains, the research department at Smith Barney, Harris Upham made these comments:

"Many smaller-growth computer-technology companies offer similar strong productivity-gains potential at a reasonable price. Our choices include: Amdahl Corporation, which specializes in communications processors to facilitate data communications; Cray Research, a manufacturer of scientific computers and software; Storage Technology, a maker of data-storage systems, and Prime Computer, a manufacturer of minicomputers and systems."

over and Co., which underwrites describe as "hot." The issue comprises 80,000 bonds, whose par value will be fixed later, probably at \$1,000. Each bond is convertible into five Bohnen Boveri participation certificates, which are nonvoting bearer shares listed in Zurich.

CHICAGO, Dec. 17 (AP-DJ) — New worries about inflation netted small price increases for gold futures last week, while soybean, cattle and lumber futures rose on news of strong demand and shrinking cattle herds.

New snags in the Middle East peace negotiations and bloody rioting in Iran spurred additional nervous demand for gold, outweighing the approach of next week's 1.5-million-ounce U.S. government gold auction, analysts said.

Trading in financial futures reflected those factors, as interest-rate futures tumbled Friday, along with the stock market, on rumors of an impending new tightening of credit. Currency futures for the yen, the Swiss franc and the Deutsche Mark posted gains against the dollar.

Matter of Availability
 "For the processors, it's not so much a matter of raising cash prices. It's a question of whether they can get beans at all," said one analyst.
 An industry group reported con-

Rumors of possible demand by large importer such as China, the Soviet Union or India for soybean oil also helped soybean prices gain from 3 to 7½ cents a bushel to close at \$6.89½ for January contracts.

By Nancy L. Ross
WASHINGTON, Dec. 17 (WP) — About half of the Fortune 500 companies have begun converting to the metric system, but con-

percent of the Fortune 500 felt that shifts in measurement would significantly promote international trade.)

Given the costs, which the GAO estimates in the billions of dollars, the government watchdog agency recommended a go-slow attitude toward metrication until Congress

The GAO instigated the report, officials insist. Yet its point of view is shared by two conservative Republican congressmen, Eldon Rudd of Arizona and Philip Crane of Illi-

In the wheat market, rumors of a jumbo rail shipment of wheat to Chicago by a major exporter were dashed by Friday, and expected big deliveries against the December

nois. They introduced separate bills in this past session to abolish the U.S. Metric Board on the ground that conversion should proceed in the pace of the marketplace without government intervention. The bills

committed its support for voluntary conversion to metric measurement. U.S. industry is converting not because of any "inevitability syndrome," but because it feels the national interest lies in getting in step with the rest of the world, the board said. Finally, the board noted that the GAO had failed to

The board's chairman, Louis Polk, sought to reassure the business community last week at a Chamber of Commerce meeting. "The board has no mandate to

Fueling a wheat-futures price recovery of from 2 to 11 1/4 cents Friday was a U.S. Agriculture Department report that 406,400 tons of wheat exported recently went to China.

eram anything down anyone's throat and it has no intention of doing so," he said. He suggested that companies convert in conjunction with other changes so as to reduce costs.

Traffic Safety Administration's decision in June, 1977, that all speed limits and other highway information would be converted to meters and kilometers by 1982. Of the more than 5,000 comments received, 98 percent were negative.

A public opinion poll conducted for the GAO showed that half the

people responding believed they would not benefit from conversion. The remainder were split between those who believe they would benefit and those that had no opinion.

While the public is once again

(Continued on Page 9, Col. 2)

Sales in					Sales in					Sales in				
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Sales in

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Sales in

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Sales in

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CoBotiv 42c

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CoSolv 29c

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CompCR 34c

97

10c

10c

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Compas

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5c

5c

5c

+ 1c

CompAut 28

77c

24

10c

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+ 13c

Compay

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CompCn

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6c

5c

5c

- 3c

CompCn

39

8c

7c

7c

- 1c

CompHorz

132

71c

61c

67c

- 1c

CompMcr 3c

149

61c

6

61c

- 1c

CompNef

383

71c

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61c

- 1c

CompNef

66

71c

67c

67c

- 1c

CompAuto 34

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6c

5c

61c

+ 1c

Comperv

1752

223c

203c

22

+ 1

CompHire

178

15c

15c

15c

CompHire

442

91c

81c

81c

- 1c

CompHire

776

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14c

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- 1c

CompHire 20

300

61c

51c

51c

- 2c

CompHire 3c

82

61c

5c

21c

- 4c

CompHire 1.8c

11228

35c

25c

25c

CompHire 1.8

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17

CompHire 2.15c

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CompPan 2.8c

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CompPan 2.8c

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14c

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CompPan 1.6c

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CompPan 1.8c

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CompPan 1.4c

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CompPan 4c

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CompPan 3c

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CompPan 3.25

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- 2c

CompPan

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21c

+ 1c

CompPan 4c

74

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+ 1c

CompPan

194

37c

35c

37c

+ 1c

CompPan

1854

121c

71c

11

+ 3c

CompPan

63

94c

87c

87c

- 1c

CompPan

52

121c

121c

121c

CompPan

1083

331c

271c

31

+ 3c

CompPan

189

10

9c

9c

- 1c

CompPan

189

34

33c

34

+ 1c

CompPan

85

61c

77c

77c

- 1c

CompPan

75

24

23c

23

- 1

CompPan

112

191c

171c

171c

- 2

CompPan

83

22c

21c

21c

- 1

CompPan

116

11

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- 1

CompPan

90

71c

71c

71c

CompPan

1854

121c

71c

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+ 3c

CompPan

63

94c

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- 1c

CompPan

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CompPan

1083

331c

271c

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+ 3c

CompPan

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- 1c

CompPan

189

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33c

34

+ 1c

CompPan

85

61c

77c

77c

- 1c

CompPan

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23c

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- 1

CompPan

112

191c

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171c

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Chicago Options Table

Malaysia Lifts Ban On Concorde Flights

LONDON, Dec. 17 (UPI) — Malaysia has announced that it is lifting the ban on supersonic Concorde flights over Malaysian airspace for a six-month trial period.

A British Airways spokesman praised Malaysia's decision and said that it would allow the airline to resume flights to Singapore probably early next year.

51/100

Standard Forecast in U.S. Predicts 1979 Recession

By Leonard Silk

NEW YORK, Dec. 17 (NYT)—The standard forecast for 1979—the consensus of the nation's business and academic economists—is moving down. But it still calls for only a moderate recession or an advance so sluggish as to be called a "growth recession"—one in which unemployment will rise despite a small gain in real output.

It requires an annual increase of about 3 1/2 to 4 percent in real gross national product—total output corrected for inflation—for unemployment to stay the same, because of the rise in the labor force and productivity.

Although it is impossible to know every forecast in the country, especially because many are kept confidential, Eggert Economic Enterprises of Sedona, Ariz., which is headed by Robert Eggert, former chief economist of the Ford Motor Co., regularly collects 40 so-called "blue chip" forecasts that are made public.

At the beginning of last month, Mr. Eggert's "blue chip" 40 were, on the average, showing a 2.5 percent increase in real GNP for next year. Now the average forecast has been lowered to 2.1 percent.

Inflation Consensus Worsens

The consensus forecast for inflation has also worsened a bit, moving up from 7.5 to 7.7 percent. So has the outlook for profits: last month the average forecast for pre-tax profits next year was for an increase of 3.7 percent; this has now been cut to 2.8 percent. Because those pre-tax profit figures are not adjusted for inflation, this implies a

decline in real profits next year of 5 percent or more.

Without exception, the economists expect unemployment to rise to 6.6 percent. The range of their forecasts, however, is fairly wide. Economists International, the most optimistic, is saying that unemployment will average 6.1 percent. Economists expects real GNP to gain 4.2 percent. But Sindinger, the most pessimistic and a maverick among forecasters, says unemployment will average 7.8 percent next year. Sindinger is predicting that real GNP next year will decline by 2.1 percent.

Though only Sindinger among the 40 is forecasting a decline in real GNP, 52 percent of the "blue

chip" forecasters are expecting a recession, rather than just a growth recession, next year. The reason the predicted gains in real GNP for next year can rise with a recession in prospect is that, coming out of the fourth quarter of this year, GNP could show zero growth throughout next year, quarter by quarter, and still average higher than this year—because this year's fourth quarter was the highest of the year.

Forecasters Are Bunched

The economists' forecasts usually don't stray too far from the consensus position. Some suspect that this is a sociological phenomenon, because economists are a clanish

group and talk to each other constantly. Furthermore, few are bold enough to hold out against the crowd.

But a few economists play the opposite way, convinced that most people will forget a poor forecast but remember a bold and unusual one that hit the outlook right on the nose.

Indeed, business economists routinely change their forecasts to catch up with events. David Grove, the former chief economist of International Business Machines (which usually keeps its forecasts confidential) used to say: "If you can't forecast, forecast often."

Another reason most economists do not stray too far from the consensus is that the standard forecast has generally been pretty good—except in highly unusual years.

Last year's standard forecast was not too far off in most respects. In December of last year, the average prediction of the 40 "blue chip" forecasters was that real GNP would gain 4.2 percent this year; the actual gain this year promises to come in at 3.6 percent.

However, the economists were too optimistic about inflation this year. Last December, they predicted, on the average, that the price index used to correct GNP would rise by 6 percent this year; the actual increase now looks like 7.5 percent.

At the same time, the forecasters were too pessimistic about unemployment. The average forecast was that the jobless rate would be 6.7 percent, but it has averaged about 6 percent.

U.S. Moving to Metrics

(Continued from Page 7)

questioning whether the confusion and the cost are really worth it, big business goes determinedly ahead with conversion. Small business has taken little positive action, the survey showed. Only 12 of 13 percent of the 1,400 small firms polled indicated they had converted to metric or were in the process. They cited the costs of dual inventories during conversion and employee training in metrication.

Apart from the pharmaceutical industry, which has used the metric system for years, the automotive industry—really General Motors Corp.—leads the way. In fact, the report noted, GM's competitors and suppliers told the GAO that if it were not for its leadership, con-

version in the United States would be at a standstill.

GM's target date for predominantly metric passenger cars is 1982. Chrysler, in 1980; Ford and American Motors, the early 1980s. GM also plans metric equivalents for the measurements of trucks by 1982. Moreover, GM has found that conversion is not so expensive as it had anticipated. In 1976, it estimated that its costs would be only 3 or 4 percent of the original 1966 estimates.

Most of the activity, as might be expected, is with multinational corporations, but two major industries, aviation and petroleum, have adopted the attitude that because the world is used to the U.S. system, there would be little benefit in changing.

Euromarket

(Continued from Page 7)

Frankfurt bank closely associated with the German trade union movement. The \$100-million issue matures in January 1989, but note-holders have the option of extending the maturity to 1994. The issue bears semi-annual interest at 0.25 points above six-month interbank Eurodollar offered rates. For the first 10 years a minimum coupon rate of 5.5 percent is guaranteed but thereafter there is no minimum.

According to some sources, the issue was selling slowly. "It's too large and too long-dated," one dealer said.

The market for Deutsche Mark Eurobonds was more or less on an even keel last week and some of the new issues were warmly received. Although the U.S. Treasury raised 3.04 billion DM in the domestic market with three- and four-year notes yielding respectively 5.95 percent and 6.20 percent, the generous rate did not appear to affect the yield structure of the external bond market.

New Zealand Bonds

A 200-million-DM, 10-year New Zealand government bond was successfully sold at par bearing 6.25 percent or only five basis points more than the four-year U.S. Treasury issue. In the aftermarket, the New Zealand bonds were quoted at 98.75-99.25.

Also offered was a 60-million-DM, seven-year issue of the Nordic Investment Bank in Helsinki at 99.5 bearing 6.25 percent to yield 6.34 percent. However, it was quot-

ed afterward at a fairly large discount of 98.25-98.75.

A star performer turned out to be a 150-million-DM, 10-year Brazilian government issue bearing 7.25 percent which was raised from 100 million DM because of strong demand. Priced at par, the issue was quoted at 99.75-100. Accounting for the issue's success is a bilateral tax convention between Germany and Brazil that allows domestic German institutions to purchase such bonds with favorable tax treatment.

Underwriting sources were expecting a syndicate led by Deutsche Bank to shortly launch a 200-million-DM, 12-year issue for the European Investment Bank with a 6.5 percent coupon.

Meanwhile, a syndicate led by Westdeutsche Landesbank issued a 150-million DM, 10-year Norges Kommunalbank issue. Guaranteed by the Norwegian government, the issue provides a sinking fund starting after four years, which will reduce the average life of the amount

outstanding to a relatively short 7.5 years.

Westdeutsche Landesbank is also handling a 50-million-DM, 10-year issue of Union Bank of Finland, which has an indicated coupon rate of 6.5 percent and an average life of 8 years.

A syndicate led by Creditanstalt-Bankverein in Vienna is offering what might be described as a hybrid between a Eurobond issue and a foreign issue in the sense that most of it is being floated on the Austrian capital market but a portion will be marketed outside Austria by five traditional Eurobond underwriters in other countries.

The 400-million Austrian schilling, eight-year issue of the EIB will bear 7.75 percent and be priced at 99.8 to yield 7.78 percent. A purchase fund starts in 1981, which will reduce the average life to 6.75 years if fully exercised.

The banks marketing the issue outside Austria are the Abu Dhabi Investment Co., Banque Bruxelles Lambert, European Banking Co.,

Kreditbank SA Luxembourggoise and Swiss Bank Corp. (Overseas) Ltd. Co-managing the domestic portion of the issue, equivalent to \$8.8 million, are Girozentrale und Bank and Oesterreichische Landesbank.

Eurobond Yields*	
Week Ended Dec. 15 (U.S. dollars)	
International institutions	9.3%
Industrials, long term	9.4%
Industrials, medium term	9.4%
Canadian dollars, medium term	10.32%
French franc, long term	10.36%
Unit of acc. long term	8.13%
* Calculated by Luxembourg Stock Exchange	

Market Turnover	
Week Ended Dec. 15 (Millions of U.S. dollars)	
Total	727.60
Dollar Eurobonds	469.50
Credit	1,518.3
Eurobond	1,254.6
Non-dollar	263.70

INTERNATIONAL BONDS

(a weekly list of non-dollar-denominated issues)

Units of Account	
DM Bonds	
Arbel 6 1/2-87	98.75
Asiat 6 1/2-87	102.50
Austro 6 1/2-87	102.50
Brazilian 7 1/2-84	102.50
Brasileira 6 1/2-85	99.25
Brasileira 6 1/2-86	102.50
Brasileira 6 1/2-87	102.50
CNT 7 1/2-87	104.00
CNT 8 1/2-87	104.00
CNT 9 1/2-87	104.00
CNT 10 1/2-87	104.00
Finland 7 1/2-87	101.00
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Finland 197 1/2-87	101.00
Finland 198 1/2-87	101.00
Finland 199 1/2-87	101.00
Finland 200 1/2-87	101.00

Insurance Stocks

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All Blacks Beat Barbarians in Stunning Finale

By Bob Donahue

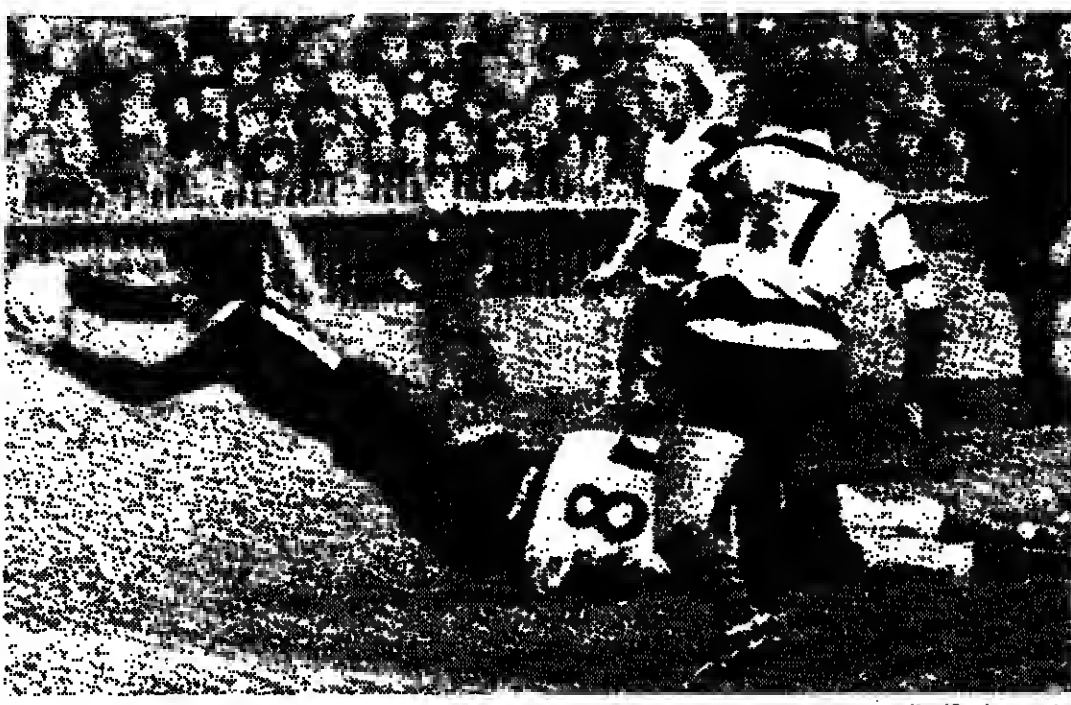
CARDIFF, Wales, Dec. 17 (IHT) — The rugby match of the year kept its promises. A singing full house at Arms Park got a dramatic finish to boot, when the Barbarians brought the best out of New Zealand's All Blacks yesterday. The Blacks deserved to win, 18-16.

In the 23 minutes before the first score, the patchy collection of Welsh, English, French, Scottish and Irish all stars proved that they were a team. Allan Martin and Bill Beaumont at the lineouts, booker Peter Wheeler in the scrums, flankers Jean-Claude Skrela and Jean-Pierre Rives in defense, a confident Phil Bennett at flyhalf and fullback Andy Irvine, running with superb balance, added up to a threat of a quality that New Zealand will not see again soon.

Those early minutes also signaled that the blackclanking of All Black fullback Brian McKechie was off target. And that the Scottish referee, Norman Sanson, would play a more activist role in the match than a referee ideally should. But mostly, they showed New Zealand's entire determination to pass and run.

McKechie attacked outside his left wing, the Blacks ran the ball at successive penalties rather than kick for points, wing Bryan Williams failed for the first of three times to make it across on the right, and it was prop Brad Johnstone who hucked his way over through the pack. The crowd gamely applauded the All Blacks, as it was to twice again.

The Welsh singing began in the



Bryan Williams scores for the All Blacks, with Derek Quinell making the tackle.

Williams went tight after a scrum and was over at last. The four points gave him a career total of 401 for New Zealand.

At 15-7, the avalanche seemed to have begun. Rather than lock up the scrum, New Zealand played the

risky open game till the end, unconcerned by still another Barbarian interception. Soon, center Jim Renwick dropped the ball as he

crossed the line, but the Barbarians were now close. At a tapper penalty, Skrela, impeccably carrying out

the second of the Barbarians' three secret penalty plays, passed long to

Slem, who got his second try.

This time Bennett converted, from the far left. It was 15-13 with

a quarter hour to go. New Zealand's Stu Wilson slalomed

while the starved crowd sang again. Irvine hit the crossbar with a penalty

from 53 meters. Bennett scooped

up a loose ball one-handed and at full speed as if his hand were

adhesive.

Barbarians ran their hearts out: scrumhalf Brynmor Williams, right

wing Elan Rees, Slem. In this pressure, Oliver gave up a penalty

and Bennett took the kick. "He can't miss this one!" shouted a

faceless voice, to make certain: 16-15, the Barbarians ahead, the end

near. "Blow that bloody whistle, ref!" And then, shouting to himself

and the crowd, when McKechie took a penalty: "Keep your eyes

closed!"

McKechie duly missed. And again two minutes later, in the 39th

minute. As the game entered injury time, the Barbarian pack held

against the odds in a series of scrums within five meters of its

line. New Zealand could not cross. Center Bill Osborne tried a drop.

In the 42d minute, flyhalf Eddie Dunn dropped the ball and made it 18-16.

After a 3-month tour, with 17 of their 18 games won, the All Blacks

of captain Graham Mourie will go home to a heroes' welcome. Slowly,

Europe will try to imitate the New Zealand way of seeming to be

everywhere on a rugby field. One step ahead as usual, the Blacks will

work to raise hack play to the level reached by their forwards.

Barbarians, scattered for a moment before the post-match

banquet, fended their way back to their hotel through happy masses

of autograph hunters on Cardiff's sidewalks. Flat on his back at last,

Skrela relived "more attack in one afternoon than you're going to see in a whole international season." It

was "terribly hard," he said. And "it was magnificent."

Leads World Cup Standings

Proell Wins 2d Downhill Race

By Samuel Abt

VAL D'ISERE, France, Dec. 17 (IHT) — Annemarie Moser-Proell of Austria easily won the world cup downhill race here today, her second victory in as many downhill races this season, by sking what she described as "a perfect race, no mistakes, no trouble."

Traveling in bright sunshine over soft snow, Proell was timed in 1:20.28. Evi Mittermaier of West Germany also had what she described as "a perfect race," but her concept of perfection was 28 hundredths of a second slower than Proell's. Third was Bernadette Zurbriggen, 4 more hundredths behind, with Marie-Theres Nadig fourth and Evelynne Dirren fifth. All three are Swiss.

The U.S. women's team had a unanimous off day, placing no higher than Cindy Nelson's 28th in a field of 72 starters. Christine Cooper finished 44th, Jamie Kurlander 53d and Tamara McKinney 57th. For some reason, the Americans seemed unable to handle the soft snow, much of which fell yesterday afternoon and last night. The course, 2,000 yards long with a drop of 500 yards, was not reported to be difficult and nobody fell.

Least of all was it difficult for Proell, who started eighth, posted the best intermediate time and arrived to a polite round of applause from the otherwise-partisan French crowd.

Relaxed and cheerful, Proell said after she caught her breath that her immediate goal was to do well tomorrow in the giant slalom here and thus win the combined and its bonus points. Her long-range goal, she added frankly, was to win the overall World Cup championship, which has barely eluded her the last two seasons. She was the champion in the five years from 1971 through 1975, retired in 1976, then unretired and finished second in 1977 and 1978.

Victory today moved her into the

lead for the title, pending tomorrow's activity. Proell has 54 points, Nadig 39 and Perrine Peleu of France 31. All three are strong in the giant slalom.

"I will skip through next season, especially the Olympic Games, and then I will retire," Proell said. "I will be 26 years old in March — and have no wish to be skiing competitively when I'm 30."

Veterans at the Top

The first four finishers in the downhill were all veterans, including Zurbriggen, who is 22 years old but has been competing in the World Cup since 1972. Right behind them, though, were a host of fresh faces. In the first 10 were Edith Peter of Austria, 20, and a sophomore on the circuit, and Caroline Attia of France, 18, and a sophomore. Peter was sixth and Attia eighth.

Those finishing 11th through 15th were all below the age of 20: Dianne Lehoudey of Canada, Brigitte Glur of Switzerland, Gaby Infanger of Switzerland, Petra Wenzel of Liechtenstein and Marie-Luce Waldmeier of France.

The oldest is Glur, all of 19, and the youngest Infanger, 17 just a week ago.

The outgoing Attia seemed to sum up the group spirit when she hugged the skiers and said: "I thought I'd skip a quarter of a second faster and if I had, I would have finished fifth. I'll do it next time."

NBA Standings

Eastern Conference Atlantic Division

W	L	Pct.	GB
Washington	16	9	210
Philadelphia	16	9	440
New Jersey	17	12	584
New York	16	16	467
Boston	16	20	333

Central Division

W	L	Pct.	GB
Atlanta	14	13	579
Houston	15	14	517
San Antonio	11	20	353
New Orleans	10	19	345
Cleveland	10	20	323

Western Conference Midwest Division

W	L	Pct.	GB
Kansas City	17	10	430
Denver	14	14	317
Chicago	12	17	414
Milwaukee	12	21	344
Indiana	10	18	357

Pacific Division

W	L	Pct.	GB
Seattle	20	7	241
Phoenix	20	11	445
Los Angeles	20	12	425
Portland	15	14	517
Golden State	15	15	500
San Diego	13	19	496

Friday's Results

Kansas City 105, Boston 101	Atlanta 121, New Jersey 104
Philadelphia 91, Houston 84	Washington 114, Detroit 114
New York 116, Chicago 94	Portland 114, Denver 112
San Antonio 125, Indiana 113	Cleveland 114, Milwaukee 106
Los Angeles 106, Seattle 98	Phoenix 115, Los Angeles 100

Saturday's Results

Washington 125, Boston 117	San Antonio 104, Golden State 94
Chicago 108, Detroit 102	Kansas City 126, New Orleans 100
Phoenix 119, Los Angeles 100	Portland 115, Los Angeles 100

Sunday's Results

Washington 125, Boston 117	San Antonio 104, Golden State 94
Chicago 108, Detroit 102	Kansas City 126, New Orleans 100
Phoenix 119, Los Angeles 100	Portland 115, Los Angeles 100

Haker of Norway Takes Men's Downhill

SANTA CRISTINA, Italy, Dec. 17 (AP) — Erik Haker of Norway scored his first World Cup downhill victory here today.

He was clocked in 2:06.37 in an event that was restarted in the afternoon after a morning round was canceled following a breakdown in the electronic timing.

Haker, who had been the fastest also in the canceled race, finished ahead of Switzerland's Peter Mueller, who was third in 2:08.45.

Two Austrians, Peter Wimmerberger and former downhill ace Franz Klammer, rounded out the top five.

Haker had led the standings at mid-day, when race officials found a fault in the electronic time and postponed the race for two hours while they repaired a damaged circuit board. The officials cancelled all early times.

Giuliano Giardini of Italy, who was second to Haker when the cancellation occurred, dropped seven places to ninth.

"I was furious after the cancelled first race," Haker said. "The fact that I won again means I was the best. I hope my victory gives people in Norway the incentive they need to get involved in alpine skiing."

He added: "I have always dreamed of winning a downhill and this morning I knew I could do it. This has been the greatest event in my career."

Read, who won the season's first World Cup downhill race in Schladming, Austria, said: "To be among the first three with this kind of race is quite an achievement. I still have to learn how to concentrate myself at the start of a race."

Walcher Wins Saturday

Josef Walcher of Austria won yesterday's downhill race, finishing ahead of two Swiss competitors.

Walcher, the reigning world champion downhill skier, was timed in 2:11.86 for his run down the 3,615-meter track. Mueller placed second in 2:12.16, and Walter Vesti was third in 2:12.91.

Another Swiss skier, 21-year-old

Tony Buerger, finished a surprising fourth. He had started in the 25th position.

Klammer finished fifth and blamed a slow start for his disappointing performance. Vladimir Makeev of the Soviet Union was sixth, ahead of Herbert Plank of Italy, who won here last year.

Read finished nearly two seconds behind the winner and failed to make the top 10.

Read said that he had been ready for a race on an icy track "like the one we tested in Friday's trials." But he said that "on fresh snow something did not work."

Saturday's Downhill

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2. Peter Mueller, Switzerland, 2:12.16	7. Walter Vesti, Switzerland, 2:12.91
3. Tony Buerger, Switzerland, 2:12.91	4. Toni Buerger, Switzerland, 2:12.91

Sunday's Downhill

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Sunday's Downhill

Washington Misses Playoffs

Bears Defeat Redskins, 14-10

WASHINGTON, Dec. 17 (UPI) — Steve Schubert returned a punt 73 yards for a touchdown and Walter Payton ran 44 yards for another score yesterday to help the Chicago Bears end the playoff hopes of the Washington Redskins, 14-10.

John Fugett caught a deflected pass from Billy Kilmer for the Redskins' only touchdown with 1:19 left. Mark Moseley got the Redskins' first points with a 33-yard field goal on the final play of the first half.

Washington (8-8) held a slim chance of gaining the playoffs as a wild card entry. The Bears finished the season at 7-9.

Kilmer, 39, replaced Joe Theismann during the final eight minutes. Theismann had completed only 13 of 21 passes for 107 yards. Kilmer completed 8 of 10 for 91 yards.

Fullback John Riggins became the third player in Redskins history to rush for more than 1,000 yards in a season, gaining 44 to finish with 1,014.

Payton took over the NFL rushing lead with 90 yards on 16 carries to give him 1,395 for the year.

Kilmer's touchdown pass to Fugett was the Redskins' final gasp. Kilmer threw toward wide receiver Ricky Thompson in the end zone and the ball was deflected several yards away to the right end.

The Bears had scored three minutes after the opening kickoff as Flippo passed 7 yards to Payton and 14 yards to James Scott before Payton went the final 44 yards around left end, knocking down Redskins safety Jake Scott en route.

Steelers 21, Broncos 17

At Denver, Terry Bradshaw, who saw only first-half action, threw two touchdown passes to become the first quarterback since the NFL-AFL merger in 1970 to throw 28 scoring passes in a single season, lifting Pittsburgh to a 21-17 triumph over Denver.

The Broncos, who trailed throughout the game, threatened to score a game-winning touchdown with seven seconds remaining when Pittsburgh was called for interference on a pass from Norris Weese to Rich Upchurch in the end zone. The ball was placed on the 1-yard line, but Denver's Louie Perrin was stopped by the Pittsburgh defense.

The Steelers' first touchdown came with 38 seconds in the first quarter, when Franco Harris bulled over from the 1-yard line on fourth-and-one, capping a 52-yard drive in 10 plays.

Bradshaw, who completed 10-of-14 passes for 131 yards before going to the sidelines, hit John Stallworth with a 25-yard scoring pass with less than four minutes remaining in the half. The pass tied Ken Stabler's post-merger record of 27.

Then, with 14 seconds left in the second quarter, Bradshaw found Jim Smith alone in the end zone from 10 yards out to push the Steelers ahead, 21-0.

The Broncos, with reserve quarterback Walt Anderson at the helm, went 80 yards for their first touchdown with 9:15 left in the third quarter. Weese engineered five first

downs — as Denver crossed into Pittsburgh territory for the first time in the game — before hitting Haven Moses with a 25-yard scoring pass.

Jim Turner added a 45-yard field

goal in the final period to bring Denver within 11 points of the Steelers. The Broncos' final touchdown came on a 30-yard Weese pass to Riley Odoms with less than two minutes remaining.



Lemar Parrish of the Redskins intercepts a pass intended for James Scott of Chicago Bears during the Bears' 14-10 victory.

Indianapolis Team Folds After Five Years in WHA

INDIANAPOLIS, Dec. 17 (UPI) — The Indianapolis Racers have folded, leaving the World Hockey Association with only six teams.

Gordon Robson, a representative of Nelson Skalbania, the Canadian millionaire and majority owner, made the announcement Friday night following a second meeting within three hours with team members.

Robson said that the situation became "hopeless" late Friday afternoon, when negotiations with local investors failed to make enough headway.

Friday was pay day and Skalbania wanted to make certain that additional backing was available from local sources before he met his \$80,000 payroll.

The Racers never gained a financial foothold during their five years in the WHA, but Skalbania, who bailed them out more than a year ago, had vowed last month that he would keep the team going through the season "come hell or high water."

At the same time, however, he said that the team would lose \$1 million for the fifth year in a row. The Racers had a 5-19-2 season record — last in the WHA. They were scheduled to play an exhibition

game here Saturday night against a touring Russian national team.

The Racers had averaged only about 5,000 fans per home game this season — half of what Skalbania said they needed to break even. Skalbania was not present at the last-ditch negotiations to save the franchise.

Contingency Schedule

In Hartford, Conn., the WHA president, Howard Baldwin, said: "We regret losing Indianapolis as a market." The WHA had made a contingency schedule and Baldwin said that it would be announced tomorrow.

The New England Whalers picked up right wing Blaine Stoughton, the Racers' top scorer with nine goals, and nine assists, and defenseman Dave Inkpen.

Defenseman John Hughes, who has been sold to Edmonton, called the local fans "great" and said: "I just didn't think they would let it go down, but they did. The people here could have bought the club and just assumed the responsibility for the rest of the year, but they wouldn't do that. Indianapolis is going to hurt downtown by letting this club go."

Skalbania indicated when he bought into the Racers that his goal was to take the team into the National Hockey League — if and when a merger materialized. The NHL has so far shied away from merger or expansion, although numerous interleague meetings have taken place.

"It seems the local fans don't want hockey," he said. "I'm mad because I've lost a fortune in hockey here."

Surgery for Maddox

NEW YORK, Dec. 17 (AP) — Outfielder Elliott Maddox will undergo surgery on Dec. 26 for removal of a spur on his right thumb, the New York Mets announced.

More Sports

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NHL Standings

Campbell Conference

W	L	T	Pts	GP	GA
NY Islanders	18	7	47	120	85
Astoria	17	9	39	122	85
NY Rangers	16	9	34	114	87
Philadelphia	14	11	26	102	88

